

JFMIP NEWS

A Newsletter for Government Financial Managers

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FINANCIAL MANAGEMENT OFFICIALS GARNER TOP HONORS

The JFMIP honored Dale W. Sopper, Deputy Commissioner for Finance, Assessment and Management and the Chief Financial Officer at the Social Security Administration (SSA), and Carole E. Stone, Budget Director for New York State as the recipients of this year's Donald L. Scantlebury Memorial Awards for distinguished leadership in financial management in the public sector. The Scantlebury awards are given annually to public sector leaders who have contributed significantly in financial management improvements over a number of years. Office of Management and Budget Director Mitchell Daniels and Comptroller General David



JFMIP Principals with Award Recipients: (from l to r) OMB Director Mitchell Daniels, NY State Budget Director Carole Stone, SSA Deputy Commissioner and CFO Dale Sopper, and Comptroller General David Walker at the ceremony.

Walker presented the awards at the JFMIP 32nd Annual Conference on March 11, 2003, in Washington, DC.

Some of the highlights from the award speech given by Joseph Kull, Deputy Controller, Office of

Federal Financial Management and Chair, JFMIP Steering Committee follow.

During his 37-year career at the Department of Health and Human Services and SSA, Dale W. Sopper has distinguished himself as a leader in the federal

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32nd Annual JFMIP Conference A Success

Over 950 senior financial management officials attended the 32nd Annual JFMIP Conference on "The President's Management Agenda—Transforming Federal Management" on March 11, 2003. David Walker, Comptroller General of the U.S., Mitchell Daniel, Director of the Office of Management and Budget—two of JFMIP Principals gave keynote addresses. Clarence Crawford, Associate Director for Management and Chief Financial Officer of the Office of Personnel Management (OPM) gave the remarks for OPM Director Kay Coles James. Throughout the day long program, speakers

discussed how the Federal government could be transformed to be more efficient and effective for the American public. The five governmentwide initiatives under the President's Management Agenda—strategic management of human capital, improving financial performance, competitive sourcing, e-government, integration of budget and performance—were featured at panel sessions throughout the day, as well as discussions on improving financial statements and enterprise architecture. Speakers' powerpoint presentations are posted on the JFMIP website, www.jfmip.gov. Look inside for more highlights from the Conference starting on page 8.

A Joint Perspective

My initial thoughts for Spring 2003 are to thank the JFMIP Principals, Steering Committee members, speakers, and many volunteers who made the 32nd JFMIP Conference, “The President’s Management Agenda—Transforming Federal Management,” a major success. I would like to recognize and thank Doris Chew, of the JFMIP staff, for her masterful orchestration of this annual event.



*Karen Cleary Alderman
Executive Director, JFMIP*

This JFMIP News includes the highlights.

The JFMIP conference provided a high level overview of how the President’s Management Agenda is impacting management expectations and practices across the Federal government through leadership, vision, executable plans, transparency, and accountability. Three of the JFMIP Principals, Comptroller General David Walker, OMB Director Mitch Daniels, and OPM Director Kay Coles James (delivered by Clarence Crawford), underscored the power of the President’s Management Agenda to sharpen focus and increase accountability for what the Government does, how it does business, and how it assesses outcomes of those efforts. The keynote addresses as well as the panel sessions underscored that the cross-cutting initiatives: strategic management of human capital, budget and performance integration, competitive sourcing, improving financial management, and expanded electronic government, have focused management energy, and established a strategic framework to manage and assess today’s missions and transform government to meet future challenges.

Three overarching themes cut through the conference presentations: performance expectations and assessment, how work gets done, and who does it. This Joint Perspective synthesizes lessons from the conference on these three themes.

Setting Performance Expectations and Assessment

Performance expectations and assessment were addressed from multiple perspectives: budgeting and program execution, financial management, competitive sourcing, and the federal workforce. For all these dimensions, transparency of policies, decision criteria, and decision support information, and incentives enhance credibility and accountability for results.

At the program budgeting dimension, OMB’s introduction of the “Performance Assessment Review Tool” (PART) sets the unit of analysis at the program level and establishes the metric as “effective” or “ineffective.” The concept is easy to say, but hard to do. This approach shifts the analytic focus from measuring whether the program budget was spent to whether the program results for expenditures meet expectations. The key question is what constitutes success? This focus demands discipline in defining “programs,” identifying appropriate program performance measures for “effectiveness,” and designing systems that capture necessary information to assess cost, performance and results of programs over time.

In parallel, the definition of financial management success has been broadened from achieving a clean opinion on the financial statement on an annual basis, to producing timely, accurate, and consistent management information and analysis to support decision making on a day-to-day basis. The former financial management success criterion reflects achieving integrity of financial data. The latter, requires that resulting information be put to use in managing government enterprises. Where the financial reporting emphasis has been on producing “consistent and reliable” (read auditable) information, the new emphasis is on producing information that is useful to and used by decision makers.

Meeting the criterion of “useful information” requires the financial management community to meet higher standards of information timeliness and relevance. Accordingly, accelerated financial reporting requires agencies to impose

discipline on the underlying processes and internal controls, define data requirements consistently and accurately up front, exchange data in short time frames, reconcile on monthly basis to achieve good quality data, increase the use of estimates. Meeting tighter timelines requires all the business partners including auditors, and external information providers to cooperate. By 2004, the audit of government-wide consolidated reporting will rely on the data that has been audited in the agency statements.

Finally, the “performance” theme also reverberated through discussions of competitive sourcing and human capital. Speakers underscored the expected outcome of competitive sourcing is better value for money. The taxpayer wins, irrespective of whether the work is conducted by government employees or contractors. Achieving this outcome requires well-designed performance based competitions with identified costs and service levels.

Human capital management systems need to specifically recognize performance. Currently over 80 percent of cost associated with the annual increases in Federal salary is due to longevity and annual pay increase, rather than actual performance on the job. The President is introducing initiatives to establish a \$500 million “human capital performance fund” to specifically reward high performing employees and to give agencies the flexibility to compensate senior executives in accordance with performance.

Overall the management theme of linking resources to performance carries through the management agenda initiatives. The challenge will be to align the management information so that there are consistent incentives in program performance, financial management performance, and individual performance.

How Work Gets Done

Discussion of how work gets done focused on three areas: leveraging technology to transform business processes; taking advantage of government wide enterprise architecture to consolidate service support, and using competitive sourcing to determine

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Developmental Assignments at JFMIP

JFMIP provides an opportunity to expand the competencies of future federal managers by providing developmental assignments. JFMIP is hosting two individuals through the Executive Leadership Program (ELP). The ELP is a one-year management development program for individuals at the GS 11-13 levels. This program is coordinated through the Graduate School, U.S. Department of Agriculture.



Kay E. Fenhagen

Kay E. Fenhagen is a program analyst in the Industrial Corporate Solutions Division of the Industrial Operations at the Naval Air Systems Command (NAVAIR), Patuxent River, MD. Her primary responsibilities are as the lead analyst for all Information Technology (IT) financial management issues; the largest being the IT budget formulation, justification and execution; and also acts as a Contracting Officers Representative (COR). Her 22 years of federal service include positions as computer clerk, computer assistant, computer programmer, computer specialist and program analyst.

Kay is an honors graduate of Marywood University with a Bachelor of Science degree in Business Administration – Management and an Associates degree in Computer Programming from Charles County Community College (now College of Southern Maryland). She is an ELP participant on a 60-day developmental assignment with the JFMIP that began in February 2003. Kay's focus of this assignment is to participate on intergovernmental teams and gain a greater understanding on government wide challenges impacting financial management systems and the changing role of the financial management personnel. She is working on

the JFMIP study on the future of the financial management workforce and worked on planning the annual JFMIP Conference.

Louis Vaughns is also an ELP participant and just recently returned to the federal government where he is now a budget analyst with the United States Department of Agriculture, Credit Programs. He was selected by the Budget Director to help modernize the Credit Programs budgeting and re-estimate activities. Louis has extensive experience both academically and in area employment. He has a Master's Degree in Administration from Colorado State University and is in their Doctorial Program. He has taught business and governmental studies at the college level and also taught government contract law to federal military and civilian employees. He is committed to bringing about positive change with respect to financial systems where there is the inherent resistance to it.



Louis Vaughns

His developmental assignment at JFMIP will help him to do just that. Louis is collecting information on insurance systems and worked on the planning of the annual JFMIP Conference.

Charles (Chuck) A. Calhoun joined the JFMIP staff in February 2003 for a six month detail to assist in the qualification testing of commercial off-the-shelf software (COTS) to determine whether subject packages comply with all mandatory core Federal accounting requirements. Chuck is the Assistant Chief Financial Officer for the National Aeronautics & Space Administration (NASA). Chuck provides guidance and expertise on the enhancement of federal financial management activities. He maintains a comprehensive review and analysis of all executive, legislative and regulatory actions to ensure that all requirements imposed upon the NASA are met. Chuck develops, describes, and

OPM Shares Results of the 2002 Federal Human Capital Survey

Kay Coles James, Director of the U.S. Office of Personnel Management, released the results of the 2002 Federal Human Capital Survey. There were responses from more than 100,000 Federal employees who work at agencies across the Nation and around the world. The survey asked for Federal employees' views on how well agency manages the

Workforce, the importance of the work done, job satisfaction and compensation.

The survey findings indicate that public servants understand the importance of the work they do and are focused on mission. Most Federal employees are satisfied with their jobs and compensation. The survey results also indicate where the Government can do better. For example, many indicated that they were not satisfied with incentives for good performance or with their agency's efforts made to deal with poor performing employees. Many want more from agency leaders and feel that the Government could make better use of their talents.

OPM will use the information to make things better and to improve the strategic management of the Federal workforce, one of the initiatives under the President's Management Agenda. The feedback from this survey will help to improve the way OPM and OMB will hold agencies accountable for managing the Government's most important resource—the Federal workforce—to continually provide outstanding products and services to this country. To find out more about the results of this survey, please go to www.opm.gov.



Charles (Chuck) A. Calhoun

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Concepts Statement and Accounting Standards affecting The Consolidated Financial Report of the U.S. Government Issued

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), David Mosso, announced that the FASAB has issued Statement of Federal Accounting Concepts (SFFAC) 4, Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government, and Statement of Federal Financial Accounting Standards (SFFAS) 24, Selected Standards for the Consolidated Financial Report of the United States Government.

SFFAC 4 identifies the primary audience of the Consolidated Financial Report (CFR) of the US Government as external users represented by citizens and their intermediaries. Further, it describes the characteristics of the audience and the qualitative characteristics FASAB believes will aid in meeting the financial reporting objectives of the CFR. Finally, the concepts document provides that the CFR should be a "general purpose" report that should be highly understandable and timely.

SFFAS 24 states for the first time that all SFFAS's apply to all Federal entities (including the consolidated Governmentwide entity) unless a standard specifically provides otherwise. In addition, it clarifies that the Statement of Budgetary Resources and Statement of Financing, while relevant for agencies executing the budget, are not required for the Governmentwide CFR. However, SFFAS 24 requires new statements for the CFR, but not for agencies or departments. The new statements provide information on net operating revenue (or cost), budget surplus (or deficit), and cash. The new statements are principal CFR financial statements and are to be presented on a comparative basis. Electronic versions of SFFAC 4 and SFFAS 24 are available on the World Wide Web at www.fasab.gov. Questions on SFFAC 4 and SFFAS 24 should be directed to Richard Fontenrose at 202-512-7358 or fontenroser@fasab.gov.

Exposure Draft of Technical Bulletin Related to the Homeland Security Act

The FASAB staff is requesting comments on an exposure draft of a proposed technical bulletin entitled Questions and Answers Related to the Homeland Security Act of 2002. The technical bulletin proposes answers to questions arising from the creation of the Department of Homeland Security (DHS) and other transfers of operations between federal entities directed by the Homeland Security Act of 2002 (HS Act).

If adopted, the effect of the technical bulletin would be that:

- Legacy and transferred entities would segregate the net costs of continuing and transferred operations, and recognize a transfer-out for assets and liabilities transferred.

Segregation of the net cost would be required for both current and prior period net cost.

- Department of Homeland Security and other receiving entities would recognize assets and liabilities received at book value and recognize a "transfer-in." Financial statements based on the transfers and actual operations subsequent to the transfer would be presented.

The document is available at <http://www.fasab.gov/exposure.htm>. Comments are requested by April 7, 2003.

Reclassifying Stewardship Responsibilities and Eliminating the Current Services Assessment

The Board directed the staff to prepare a "ballot draft" of a new statement of federal financial accounting standards (SFFAS). The ballot draft is the last step before approval. The new SFFAS will eliminate the requirement for the government-wide financial report to include the "current services assessment." Accordingly, chapter 8 and paragraphs 14-16 of SFFAS 8 will be rescinded, along with the associated illustration of the Current Services Assessment in Appendix B of SFFAS 8, effective for reporting periods beginning after September 30, 2002. Information about risk assumed, as required by SFFAS 5, shall be presented as Required Supplementary Information (RSI), rather than as Required Supplementary Stewardship Information (RSSI) for reporting periods beginning after September 30, 2002. The social insurance information required by paragraphs 27(3) and 32(3) of SFFAS 17 (the "Statement of Social Insurance") shall be presented as a basic financial statement for periods beginning after September 30, 2004, with earlier implementation encouraged. Other information required by SFFAS 17 shall be presented as RSI (rather than as RSSI), except to the extent that the preparer elects to include some or all of that information in notes that are presented as an integral part of the basic financial statements, for periods beginning after September 30, 2004. Two of the nine members tentatively dissented.

Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4

The Board approved Interpretation of Federal Financial Accounting Standards Number 6, Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4. The proposed interpretation has been sent to the FASAB principals' Board members for a 45-day review period. If none of the principals' Board members object to the document, the interpretation will be issued and posted to FASAB's web page in mid-April. The effective date for the proposed interpretation is for periods beginning after September 30, 2004 (FY 2005). For more information, contact: Melissa Loughan, 202-512-5976, loughanm@fasab.gov



Improving Government Effectiveness and Strategic Human Capital Management—One IG's Perspective

Background

Nikki L. Tinsley has been the Inspector General (IG) of the U.S. Environmental Protection Agency (EPA) since U.S. Environmental Protection Agency (EPA) since November 1998. She sees her role as the IG as that of an independent partner with EPA management and the Congress to improve environmental programs and EPA operations. As the IG, she reports to EPA, the Congress and the public on agency activities. She is a member of the President's Council on Integrity and Efficiency (PCIE), and chairs the PCIE Human Resources Committee. She is a member of the GAO Advisory Council on Government Auditing Standards and the Comptroller General's Domestic Working Group. Ms. Tinsley joined the Office of the Inspector General at EPA in 1990 as the Divisional IG for the Central Audit Division, where she directed audits in EPA regions 7 and 8. Prior to that, she worked 15 years in various audit capacities with the Department of the Interior's Minerals Management Service and the U.S. General Accounting Office. She holds a masters degree in management and is a certified public accountant, licensed to practice in Colorado.

The Emerging Role of the Office of Inspector's General

The role of Inspector General is perhaps more important today than at any time in recent history. Over time the role of the Inspector General staff has evolved into one of actively supporting and enhancing their department/agency's mission accomplishment; priorities are different from those that Inspectors General faced 25 years ago when the IG legislation was passed. Among the new roles are:

- Assisting in the fight against terrorism
- Evaluating the nations critical infrastructure
- Investigating cyber crime
- Helping to improve government financial management
- Evaluating agency performance and accountability measures

Inspectors General face the daunting task of assisting to protect the integrity of government programs and making recommendations to improve government performance. It is no longer acceptable to merely find fault with program management or compliance with rules and regulations. IGs are evaluating the program methodology to assist their departments/agencies to design approaches to delivering services that ensure the best return on investment for their agency's limited funds. To achieve success, IG reports must be convincing so that program managers implement solutions that IG staff recommend. To evaluate the efficiency and effectiveness of agency programs, inspector general staff must understand how programs are designed, what results (both outputs and outcomes) the program anticipates producing, how the agency measures program results, and what it costs the agency to produce those results.



Nikki L. Tinsley Inspector General, U.S. Environmental Protection Agency (EPA)

Strategic Human Capital Management

As with all segments of government, for Inspectors General, strategic human capital management is critical to organizational success. New challenges and evolving roles for Inspectors General place IG offices in the knowledge management business. IG staff have to consider their clients' needs and the types of audit, evaluation, or investigation skills and methodology necessary to address those needs in order to determine staff competencies and proficiency levels necessary to address client needs. The PCIE Human Resources

committee is benchmarking competencies for auditors, evaluators, and investigators, and is working with the community to identify the core competencies an Inspector General staff should possess. Of course, each IG shop requires particular competencies relative to its agency mission.

The PCIE HR committee's strategic framework includes working with the IG Auditor Training Institute and the IG Criminal Investigator Academy to determine if curricula includes course work necessary to meet staff development guidelines and on-line or distance learning. In those instances where it does not, the committee is assessing sources outside the community. Working with the Federal Executive Institute, the Committee is developing leadership training to prepare IG staff to be more proficient and competitive at the executive levels. The goal is to develop a model for management development and succession planning.

As JFMIP has determined, with technology changes, the skills required by the financial workforce have changed from transactional to analytical. The challenge of ushering the Federal government through this transition rests with financial managers. Modernization efforts are driving the implementation of new financial systems and changing business processes to conform to commercial off-the-shelf software for financial systems. This cultural change will have an enormous impact on financial managers in the Federal government.

Enterprise software is having a profound impact throughout Government and as its use becomes more widespread, it impacts the IG community. While the early introductions have been in the financial management areas, the use of enterprise software is expanding rapidly. This has and will continue to have a significant impact on audit, evaluator, and investigator methods and skill sets. With the expansion of enterprise software into nontraditional applications, e.g. human resource management, project management, performance indicators, the scope and complexity of IG work increases. IG work is more dependent on applying systems thinking than it ever was in the past and is largely reliant on staff ability to understand the context in which their departments and agencies operate so that they can evaluate programs and operations in a risk/opportunity paradigm.

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CFO Council Update

The Council welcomed several new members. Dr. Paul R. Corts is the Assistant Attorney General for Administration and Chief Financial Officer (CFO) at the Department of Justice. In this position, he oversees the Department's Justice Management Division and assists senior management officials with issues regarding the Department policy for evaluation, budget and financial management, personnel management and training, procurement, real property and material management and other matters pertaining to Justice's management and administration. Prior to entering government service, Dr. Corts had a long and distinguished career in higher education. He served as President of Palm Beach Atlantic University for over 11 years immediately prior to joining the Justice Department. He also served as President of Wingate University in North Carolina and he has held administrative and teaching positions at Oklahoma Baptist University and Western Kentucky University. He graduated from Georgetown College in Kentucky and received his master's and doctoral degrees from Indiana University.



Dr. Paul R. Corts, Assistant Attorney General for Administration and Chief Financial Officer (CFO), Department of Justice

Susan J. Rabern was appointed the CFO at the U.S. Agency for International Development (USAID) on December 2, 2002. USAID is the government agency that administers economic and humanitarian assistance worldwide. Ms. Rabern previously served as the CFO of the United States Customs Service. Prior to that, she worked at the Federal Bureau of Investigations, where she began her federal civil service career as the

Deputy Assistant Director of the Finance Division. She was later appointed Assistant Director and CFO in June 2001. Ms. Raburn served 24 years in the U.S. Navy; her last assignment was as the Commanding Officer, U.S. Naval Support Activity, Washington Navy Yard. During her Navy career, she was responsible for key areas such as finance, transportation, training and career development. She holds Masters degrees in Business Administration and Education. A native of Kansas, she is a graduate of the University of Kansas.



Susan J. Rabern, CFO, U.S. Agency for International Development (USAID)

Linda Springer was recently confirmed as the Controller, Office of Federal Financial Management at the Office of Management and Budget (OMB).

Janet Hale was confirmed on March 6, 2003 as the Under Secretary for Management at the Department of Homeland Security. Prior to that, she served as the Assistant Secretary for Budget, Technology and Finance for the U.S. Department of Health and Human Services, and was the CFO and CIO. Prior to HHS, she was the Associate Administrator for Finance for the House of Representatives and the Associate Director for Economics and Government at OMB. She also served in senior positions at the Departments of Transportation, and Housing and Urban Development. She also held senior positions in the private sector. She graduated from Miami University in Oxford, Ohio and received

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JFMIP POSTING ON WEBSITE

Since January 3, 2003, all of JFMIP publications are now electronic. Sign up for the JFMIP E-Mail List to get email notification when each JFMIP publication is posted on our website. This includes quarterly newsletters, system requirements, and white papers. Go to home page of the JFMIP website, www.JFMIP.gov and click on the "Join the JFMIP E-Mail List" icon, shown to the right, or if you are reading online, click the graphic itself.

Recent postings include:

- JFMIP Annual Report on Results and Future Plans for Improving Financial Management (April 2003)
- JFMIP Conference Presentations (March 2003)



- Revenue System Requirements (January 2003)
- Notification that certificates of compliance were extended (January 2003)

COMING SOON—

- Exposure Draft of a White Paper on The Federal Financial Management Workforce of the Future—Building a World Class Financial Workforce
- Exposure Draft of the Inventory, Supplies, and Materials System Requirements

FINANCIAL MANAGEMENT PROFILE

Linda Morrison Combs has served three U.S. Presidents and the Governor of North Carolina with distinction in the field of management. Dr. Combs was appointed Chief Financial Officer of the U.S. Environmental Protection Agency by President George W. Bush in 2001 and was confirmed to that position by the U.S. Senate. As Chief Financial Officer, she is the agency's top financial management executive, maintaining accountability for development of the annual budget, resource and financial management, and payroll and disbursements. She also oversees EPA's strategic and annual planning processes and is responsible for significant segments of the Agency's implementation of the President's Management Agenda.

A native of Granite Falls, North Carolina, Dr. Combs earned an Associate of Arts degree from Gardner-Webb University. She earned her Bachelor of Science and Masters degrees from Appalachian State University, a Doctorate in Educational Administration from Virginia Polytechnic Institute and State University, and is a graduate of the Program for Senior Managers in Government at Harvard University. She holds an honorary Doctorate from Gardner-Webb University and has received numerous awards during her career for both her professional and public service.

Role as the Chief Financial Officer

EPA's Office of the Chief Financial Officer was recognized as a finalist for the President's Quality Award, one of seven organizations of 100 nominated government-wide for distinguished achievement in support of the President's Management Agenda. Dr. Combs's organization was recognized for special accomplishments in Budget and Performance Integration and is also proud of its "Green" progress rating on the Executive Branch Management Scorecard for Financial Management. EPA also now has no declared material weaknesses for the first time in the Financial Integrity Act's history. EPA was cited for its continued clean audit opinions on annual financial statements and major advances in replacing legacy reporting systems with a modern web-based reporting suite that will provide streamlined financial reporting capabilities for Agency executives and staff. This project promises to bring financial management, and the use of multiple types of information about finances and program performances, to a new level for EPA.

Dr. Combs believes the leader of an organization is responsible for setting the tone of the organization, and it's important to her to create and maintain a climate of trust and respect for all members of the organization. Trust and respect foster the kind of communications that healthy organizations need.

Organizational structure does make a difference in many cases, but given the proper attention to the trust and communications issues, functions can operate smoothly whether centralized or decentralized. EPA's Office of the Chief Financial Officer has approximately 350 staff members, most of them in Washington DC,

but some key functions reside in field offices in Cincinnati, Ohio; Research Triangle Park, North Carolina; and Las Vegas, Nevada. Within this age of E-Government, the agency's communication links are sound, and she makes a point of keeping in touch with staff and encourages them to keep in touch with her.

Growing People

Her office has been involved for some time in a workforce assessment process. The purpose is to take stock of the skills of individuals and components of the organization, and compare these with the skills needed today and in years to come. The effort is making great progress and revealing useful information for managers at all levels in her office. One big benefit is the identification of a set of core skills she thinks all OCFO employees should have to be able to address the needs of their office and more importantly, the needs of EPA as a whole. Dr. Combs also added that JFMIP's past work on core competencies for financial personnel in government has been very helpful to her organization in this regard.

Dr. Combs relies on her staff at all levels to be creative in their approaches to their work, and to have the ability to look at what can be done from multiple points of view. Cross training is a great way to cultivate a broader understanding so employees can keep the big picture in mind and identify their own contributions to larger goals. She believes that employees should be able to back each other up on essential tasks. Details and other kinds of temporary developmental assignments that allow employees to get to know different parts of the organization are encouraged.

She feels financial managers are absolutely essential to the proper functioning of Federal departments and agencies, and there is some room for improvement in the collaboration between financial managers and program managers. She wants to develop OCFO's support role in a way that makes it clear how integral her office is to the work of the Agency. For EPA to do its best job on behalf of the American people, the CFO office has to be seen as an essential professional partner to every other office in the Agency. She sees the OCFO as an essential partner to other EPA offices, not as an isolated function, but playing a useful consultative role as program managers develop budgets, manage for improved performance, and track the costs of activities.

One of the focal points of the President's Management Agenda is competitive sourcing, which Dr. Combs thinks is a more productive approach than downsizing. Competitive sourcing isn't about setting an arbitrary target for how many Federal employees there should be or how many contractors there should be. It's about taking a look at what government is doing, studying the way government gets the job done, and determining whether there's a more efficient way to do it. Led by her office, EPA is working on an approach to competitive sourcing that promises to identify efficiencies in groups of similar activities across the Agency. This approach will enable



*Linda Morrison Combs
Chief Financial Officer
Environmental Protection Agency*

The 32nd Annual

FINANCIAL MANAGEMENT OFFICIALS GARNER TOP HONORS

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Comptroller General David Walker, SSA Deputy Commissioner and CFO Dale Sopper, and OMB Director Mitchell Daniels, at the ceremony.

financial management community, especially in the areas of financial reporting, improving payment services, systems development, critical infrastructure protection, fraud prevention, and debt collection. Under Mr. Sopper's leadership, SSA has moved to the forefront of federal financial management and is ranked among the leaders in financial management on the Executive Branch Management Scorecard. Mr. Sopper played a critical and extremely effective role in managing SSA's resources and improving its operations. He has effectively managed the agency's resource allocation process with a special focus on maximizing funding and flexibility to meet current and projected agency performance objectives. He has helped to build a better agency to serve the public's growing demand for service, despite substantial downsizing.

As the agency Chief Financial Officer, Mr. Sopper has done an outstanding job in crafting, directing and improving SSA's financial management, internal controls and information systems security programs. Examples include the expanded use of aggressive debt collection tools, key contributions to the agency's Y2K efforts with respect to benefit payment delivery, the production of the Government's first-ever Accountability Report in 1995, receipt of unqualified opinion on its audited financial statements for the ninth consecutive year.

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Keynote Address for Kay Coles James, Director, U.S. Office of Personnel Management

Presented by Clarence Crawford

On short notice, Clarence C. Crawford, Associate Director for Management and Chief Financial Officer, Office of Personnel Management (OPM) gave the remarks for the OPM Director. He began with an overview of the President's Management Agenda and the great strides being made to transform the business and human resource processes of government by OPM. Five of 24 E-Government initiatives that were earmarked by the President for management by OPM were discussed. They are:

- E-Clearance, which consolidates and increases access through the use of technology to improve the efficiency and speed of security clearances and investigations.
- Recruitment One-Stop, a collaborative effort between OPM and federal agencies that builds on the success of USAJOBS to help applicants find employment with the Federal government.
- E-Training, the 24/7 on-line resource that lets government workers continue to learn every day of their career.

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OMB Director Mitchell Daniels, NY State Budget Director Carole Stone and Comptroller General David Walker at the ceremony.

JFMIP Conference

Keynote Address by David M. Walker Comptroller General of the United States

David M. Walker, Comptroller General of the United States, opened his remarks by emphasizing the fact that both the General Accounting Office (GAO) and the JFMIP consider government transformation a priority. Mr. Walker is the Chief Accountability Officer for the federal government and works for the Congress and the citizens of the United States. Mr. Walker is also the Chief Executive Officer of the GAO. In his role he is very concerned about government transformation as well as the President's Management Agenda – which also focuses on government transformation. According to Webster's Dictionary, transformation is defined as “an act, process or instance of change in structure, appearance or character; a conversion, revolution, makeover, alteration or renovation.” We do need fundamental change in what the federal government is doing; how the government is doing business; and in some cases who is doing the federal government's business in light of real trends and emerging challenges that face this nation and many other nations around the world. Transformation is about creating the future rather than perfecting the past.

Why does the federal government need this fundamental change? According to the Comptroller General, “the government is on a burning platform” – the status quo is unacceptable and we must engage in fundamental change. We must reposition ourselves for the 21st century. There are several reasons why fundamental change is a must. One reason is the continued rising public expectations for results and enhanced responsiveness from the federal government. Another reason is that the past fiscal trends and future fiscal and budget outlooks contain very disturbing information. The rising costs of Social Security, Medicare, Medicaid, interest of the federal debt, and mandatory spending is a very real trend. We also know that the cost of national security is not going to go down. These and other trends and challenges are noted in GAO's strategic plan. The rapidly growing deficits are another reason for the need for fundamental change. The growing deficits are primarily due to the aging and retirement of the “baby boomer”

Keynote Address by Mitchell E. Daniels, Jr. Director, Office of Management and Budget

Mitchell Daniels, Jr., Director of the Office of Management and Budget (OMB), began his remarks by thanking David Walker and the other JFMIP Principals for supporting and reinvigorating the JFMIP organization. Mr. Daniels stated that JFMIP is constantly finding new ways to continue to serve the financial management community and has built the JFMIP conference around the President's Management Agenda (PMA).

As the OMB Director, Mr. Daniels oversees the preparation of the federal budget and manages its administration in Executive Branch agencies. He noted that it is possible to get by in life without business acumen in financial management; however, OMB and the financial managers must generate the most useful information for our clients. Excellence in financial management ultimately is determined through the generation of timely and useful information.

The role of a modern Chief Financial Officer (CFO) and those around the CFO is so much more than scorekeeper. One role might be an agent of continued program and performance improvement. Productivity accelerated through the 1990's and ran as high as 5 % in the workplace. Achieving productivity improvement in government operations is critical to serving the public. With comparable productivity improvement, we could have created that much more in new services and activities.

One example of improving productivity in the Federal government is the progress made at the Social Security Administration (SSA). SSA freed up more than 300 employees from doing back office functions to front line work. Conversely using the disability system as an example, it takes approximately 104 days for qualified persons applying for disability to get an answer to their disability claim. On average, disability appeals take more than three years. Only seven of the 104 days are actually spent on a claims decision. For the balance of that time, the claim is being shuffled back and forth or just sitting around. It is unthinkable that a person would have to wait that long for a decision on a claim. This is a matter of human impact in public service.

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Panel Session: Improving Financial Performance

Jeffrey C. Steinhoff, Managing Director, Financial Management and Assurance, U.S. General Accounting Office (GAO), moderated a session detailing a number of key government initiatives to improve federal financial performance. He began the session by outlining an evolving definition of financial management success. In the recent past, success was measured by obtaining a clean opinion on agency financial statements. To become a world-class financial management operation in today's world, successful financial management must strive to assist in the day-to-day decision making process and become a key strategic partner within the agency. Successful financial management provides the American taxpayer with a degree of accountability and affirms government is operating well.

After sustained commitment to improve financial management, Mr. Steinhoff stated that the federal financial management community is solidly on the way to achieving this goal. The Chief Financial Officers (CFO) Act of 1990 identifies a cadre of CFOs as responsible for leading this improvement and has enabled the financial management community to begin the transformation from transaction based processing center to an office contributing as an agency analytic business partner. In acknowledging recent successes of 21 CFO Act agencies in receiving clean audit opinions, Mr. Steinhoff implored the audience to look at ways to make financial reports more relevant to the American public.

Samuel T. Mok, CFO at the Department of Labor, perceives the role of the CFO as one where much must be accomplished in a limited tenure. Financial management leaders must plan clearly what they want to accomplish, setting both objectives and the means to achieve them. One of many responsibilities in a 21st century CFO office

is to account for an agency's money. Today's CFO office must properly track the operations of the agency's budget over a period of time and use that information for



*Samuel Mok, CFO,
Department of Labor*

present and future analyses. The CFO and financial management will continue to hold an important place in overall agency management and contribute at the highest level of decision-making.

He highlighted how the role of the business managers in American corporate history has changed. During the 1950s and 1960s, top managers had backgrounds in engineering – and indeed they created and produced high quality products. To their own detriment, new customers were hard to obtain because old products functioned so well. In the 1970s, successful managers held marketing experience – the ability to publicize the value and quality of your product was imperative as companies built obsolescence. In the 1980s and 1990s, top managers had business backgrounds— they were knowledgeable about return on investment, internal control, and how to create tax gimmicks to shelter revenue and grow profit. We see today where that has

led many companies. Mr. Mok sees a parallel between the private and public sectors. He believes that the public sector is 10 years behind the curve.

By putting accountants at the forefront, public sector financial management will be able to put on a good show – one that is timely, accurate, and consistent. He predicts in 5 years it will be hard to obtain an accounting degree, as we know it today, and the profession will merge with information technology. Mr. Mok also predicts Inspectors General will become more aggressive, and today's financial management goals can be achieved. CFOs must: a) recruit, train and retain new employees to fill new vacancies; b) establish a broader view of the entire agency operation rather than a narrow stove-piped view; c) shift financial management work from transaction processing to analysis and decision support. CFOs who can reduce resources committed to supporting transaction processing will free up staff to provide decision support and analysis.

Teresa Sorrenti, Project Manager, General Services Administration (GSA), leads one of the 24 E-gov initiatives identified by the President's Management Council. The effort has buy-in from multiple



*Mark Carney, Deputy CFO,
Department of Education*

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JFMIP Conference

Panel Session: Competitive Sourcing

Clarance Crawford, Associate Director for Management and Chief Financial Officer (CFO), Office of Personnel Management, led the panel session discussion on competitive sourcing. Following a brief introduction of the topic, he introduced Robert Shea, Counselor, Office of Management and Budget (OMB); Eileen Powell, Deputy CFO, Internal Revenue Service (IRS); Bert Concklin, Director of Competitive Sourcing, IRS; and Ira Goldstein, Vice President and Managing Partner, Federal Government Group, UNISYS.

Mr. Shea provided a government-wide “snapshot” and update of the competitive sourcing initiative of the President’s Management Agenda from OMB’s perspective. One of his responsibilities is to ensure the five government-wide initiatives—Strategic management of human capital, Improved financial performance, Expanded electronic government, Budget and performance integration, and Competitive sourcing, are uniformly implemented across government.

The first Management Scorecard revealed all red lights in the area of competitive sourcing. While the most recent scorecard shows some improvement, there is much more that needs to be done. (The scorecard can be found at the website, www.results.gov.) The primary complaint or “constructive comment” concerns the process for competition in evaluating the government versus the private sector. The consensus is that the cost comparison (OMB Circular A-76) process is too long, cumbersome and needs to be shortened. Currently there are efforts underway to streamline the process. Last November, OMB released a draft revision of Circular A-76 for comment. The goal of the revised circular is to streamline the process, achieve cost savings, and create a level playing field for all bidders. The proposed revisions can be found on the OMB website at www.OMB.gov.

Mr. Concklin offered some valuable “philosophical” viewpoints on the competitive sourcing process. The majority of the audience had prior experience with the A-76 process. Competitive sourcing is about quantum versus incremental change and is expected to lead to a 10-40% improvement in cost and performance. It is an enforcing function and a “moment of truth” when government functions are outsourced. The A-76 process was based on a 19th and 20th century sense of job security.

He presented a snapshot of IRS’ competitive sourcing initiatives including drivers, projects, FTE, the budget and the decision process. IRS goals are to align with the modernization of the agency, save money and improve performance. Among other lessons learned, he believes that there will always be a 20% non-closure on inherently governmental versus competitively sourced positions. Also there needs to be front-end capital to finance change ahead of payoffs that come later.

Ms. Powell discussed competitive sourcing from the point of view of the CFO and gave valuable insight to the impacts competitive sourcing has on managers in charge of functions under scrutiny for competition, particularly the CFO area. She disclosed the universe of activities that can be competitively sourced which can be broken down into four major categories: finance and accounting, financial programs, program performance, and financial systems development. She presented an overview of the competitive sourcing initiatives underway in her organization and the impact of those, along with helpful lessons learned. She believes that the A-76 process makes you look within and is also an impetus to business process reengineering. The agency gains a more thorough understanding of what functions are being performed and how staff resources are allocated. The result of competitive sourcing is an increase in

efficiency and better service to the American taxpayer.

Mr. Goldstein stated that competitive sourcing issue has come of age and both the Government and private sector should work together constructively. Competitive sourcing can yield good results for everyone. The debate is about how to get better performance and be more effective. He believes there is a common set of public/private goals that lead to success. The common goals include: best value for taxpayers, quality career opportunities for workforce and conserve public funds for government functions. He recognized that the way the A-76 process has a “checkered” past that was lengthy, expensive, and had unbalanced evaluations, with a defensive and contentious environment. Mr. Goldstein pointed out the positives of competitive sourcing including freeing up public funds, leverage competition to provide good career opportunities for the workforce.



*Bert Concklin, Director of Competitive Sourcing,
Internal Revenue Service (IRS)*

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Panel Session:

Budget Performance and Integration

Paul Posner, Managing Director, Federal Budget and Intergovernmental Relations, General Accounting Office, was the session leader. He gave a brief history of the Government Performance and Results Act. He noted that similar efforts have been the subject of various executive orders issued in past years and that the intent of these orders has now been embodied in law. Mr. Posner continued with comments on performance budgeting. This concept does not draw a direct link between performance and funding where changes in performance automatically result in a corresponding change in funding. Performance can be elevated to an important question, but many factors continue to influence budget decisions. To inform budgeting decisions, program activities and budget accounts must be aligned with full accounting costs. Logic models, which can be difficult to develop and require reliable data, are needed to link spending to outcomes. The Program Assessment and Rating Tool (PART) process developed by



*Marcus Peacock,
Associate Director, National Resource Programs,
Office of Management and Budget (OMB)*

the Office of Management and Budget has stirred interest on the Hill and may serve as an incentive for agencies to address performance in budget submissions.

Marcus Peacock, Associate Director, National Resource Programs, OMB, and “owner” of the Budget and Performance Integration element of the President’s Management Agenda (PMA), then gave an overview of the PART. The goal of PART is to facilitate a results orientation that is guided by performance and not by process. The underlying theory is to find success, repeat it, and expand up it. As a decision support tool, the PART is geared towards clearly defined goals, appropriate performance measures, and a linkage of measured performance to the decision-making process. More specifically, the PART is a disciplined process designed to address weakness in goal setting with a focus on credible and objective evidence. During the past year, assessments were completed for 234 federal programs, which represent about 20% of federal programs. Half of these programs were rated as “results not demonstrated” because their

stated goals were not informative. During the coming year, the number of program reviews will be doubled; “how to” training on performance measures will be conducted; and the PART tool will be modified to clarify associated guidance.

Dr. Linda M. Combs is the Chief Financial Officer (CFO) at the Environmental Protection Agency (EPA). She reflected on the efforts of her organization to “get to green” on this particular element of the PMA. Currently EPA is scored as a yellow on Budget and Performance Integration, which Dr. Combs describes as a lime shade of yellow. She attributes this progress to an integrated staff for planning and budgeting and accounting within the CFO’s office. Recently, EPA reduced the



*Dr. Linda Combs, CFO,
Environmental Protection Agency*



*Betty Buxton, Deputy CFO, Bureau of Land
Management, Department of the Interior*

number of strategic goals from 10 to 5 and linked these goals to day-to-day activities for which costs are captured. This integration effort was accomplished without overhauling the agency’s financial management system

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Panel Session:

Strategic Management of Human Capital

J Christopher Mihm, Director for Strategic Issues, General Accounting Office (GAO), stated that the GAO designated human capital on its High Risk list in 2001 because of government-wide challenges in four areas: leadership; strategic human capital planning; acquiring, developing, and retaining talent; and results-oriented organizational cultures. Since then, the Comptroller General has observed that he has seen more change in the last 2 years than in the preceding 20 years. For example, the legislation that created the Department of Homeland Security provided for Chief Human Capital Officers to begin to address government-wide leadership challenges. Agencies under the Government Performance and Results Act have begun to integrate human capital in their planning efforts along with financial management, information technology, and other resources. Agencies have recognized that succession planning is

necessary to stave the demographic tide of impending retirements of their workforce. Lastly, to foster results-oriented cultures, agencies are at the early stages of using their performance management systems as strategic tools to achieve results. That is, managers have begun to shake loose from the “old demon” personnel system that is limited to expectation setting and rating processes and to a performance management system that creates a “line of sight” whereby employees see how their day to day activities contribute to organizational success.

Internally, GAO faced its own human capital challenges. These challenges were the effects of responses to budgetary cuts, downsizing, and outsourcing. GAO’s current Comptroller General made strategic human capital, and in particular, a modern and high performance-oriented performance management system, a priority. GAO advises other agencies on using a three-phased approach. First, exploit existing flexibilities as much as possible. Second, seek incremental legislative changes when necessary and base them on a sound business case. Third, begin to build a consensus for comprehensive civil service reform based on an analysis of existing workforce challenges and selected demonstration projects. GAO has used this three-phased approach with its own human capital efforts.

GAO seeks to “lead by example” in all management functional areas, particularly human capital. Because major change initiatives take from five to seven years, sustained leadership attention is imperative. In that respect, GAO has an advantage of being led by the Comptroller General who serves a 15-year term. GAO pursued both administrative and legislative actions to address its human capital challenges. Mr. Mihm described a wide range of integrated human capital reforms that GAO has implemented and is implementing. For example, GAO has inventoried employee skills and knowledge, developed a human capital profile, solicited feedback through employee surveys, implemented a student



*J. Christopher Mihm,
Director, Strategic Issues, GAO*



*Marta Brito Perez, Associate Director, Human
Capital Leadership and
Merit System Accountability, OPM*

loan repayment program, created a professional development program for entry-level staff, instituted individual development plans for all staff, among other things, it makes expedited hiring decisions, and under special legislative authority, implemented an early retirement program.

As part of its efforts to implement an effective performance management system, GAO recently implemented a competency-based performance appraisal system to provide a clear link to its strategic plan and core values; assess performance based on standards that are valid, properly applied, and transparent to employees; and enhance the performance capacity of all staff, reward high-performing staff, and deal with “below expected” performers. These competencies, determined to be the competencies that GAO needs in the next decade, are now at the center of GAO’s recruitment, as well as pay decisions, promotions, training, among other things.

Other Federal agencies are undertaking their own human capital reforms. The Department of Homeland Security will be

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Panel Session: E-Government and Enterprise Architecture



*Joanne Boutelle, Deputy CFO,
Department of Defense*

The President's vision for Government reform is guided by three principles: Government should be citizen-centered, results-oriented, and market-based. These principles have been woven into the five Government-wide reform goals outlined in the Administration's Management Agenda. Effective implementation of E-Government is important in making each of the Government reform goals more responsive and cost-effective. One of the tools in achieving a more responsive and cost-effective Government is an enterprise architecture. An enterprise architecture provides a "blueprint" of the components or the building blocks that enable the overall people, processes, policies, and systems to achieve business goals. It also provides the "framework" for holistically consolidating and modernizing systems. An enterprise architecture sets the stage for organizational

transformation by supporting business and financial management operations that are the common backbone for an organization.

Jerry Williams, Chief, Federal Financial Systems Branch, at the Office of Management and Budget (OMB), lead a panel discussion on the use of Enterprise Architectures in achieving E-Government objectives. His discussion included an update on the "Framework for Federal Financial Systems."

In discussing the "Framework for Federal Financial Systems," Mr. Williams stated that the revised framework document is intended to provide an operational or business view of the relationship of financial management activities to other agencies functional or sub-functional activities as well as to Government-wide activities. Upon completion the "Framework for Federal Financial Systems" will inform agency Information Technology decisions by describing the business needs relative to performance criteria, and integration points. It will assist agency program managers and others to:

- Achieve efficiencies in financial management service delivery;
- Support effective capital planning and investment decisions;
- Describe how financial management supports federal program and administrative service delivery;
- Articulate performance characteristics of successful financial management systems; and
- Compliment agency and Government-wide enterprise architecture initiatives.

Financial management is a pervasive function that cuts across a business entity affecting all program and administrative functions in two primary ways: by accounting for financial transactions associated with business events and by producing accurate financial data that enables effective decision making at all levels of the Government.

Norman Lorentz, Chief Technology Officer, OMB, discussed how the federal architecture is being designed to give citizens what they want. It is the fabric through which all services to citizens are provided. Currently, a major problem is duplication, overlaps and gaps in critical Government functions. The Federal government needs to unify the infrastructure and simplify the process around the citizen's needs. The Federal Enterprise Architecture (FEA) will provide the ability to look across the Federal government and identify opportunities to collaborate, consolidate, and leverage information technology (IT) investments.

OMB has established a governance process to identify interagency initiatives, integrate the FEA with budget processes, and guide Government transformation.



*Stephen Galvan, Portfolio Manager, Internal
Efficiency and Effectiveness,
E-Government, OMB*

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JFMIP Conference

Panel Session: Improving Financial Statements

Donald Hammond, Fiscal Assistant Secretary, Department of the Treasury, focused on the fact that the time has come for accelerated financial statement issuance. At the beginning of his presentation, he reminded the audience of facts such as: companies cannot remain listed on a stock exchange without clean audit opinions or immediate corrective action; SEC regulated issuers must issue financial statements within 90 days of year end; and that Alcoa finished its 2002 financial statements on January 8, 2003—eight days after year-end.

Mr. Hammond explained that the objectives for FY 2004 included issuing agency financial statements by November 15, 2004 and the government-wide financial statement by December 15, 2004. Along



*Kathleen Turco, Chief Financial Officer (CFO),
General Services Administration (GSA)*

deadlines. He also stressed the importance of review of interim balances and an increase in the use of estimates. Mr. Hammond explained the need for increased standardization of reporting and changes in information flow as necessary practices in meeting the accelerated deadlines. He also discussed the importance of the partnership with the auditors as there needs to be a strong positive working relationship to help the process.

Mr. Hammond explained the role of the Chief Financial Officers (CFO) Council's Financial Statement Acceleration Committee in assisting with agency acceleration efforts. For example, the committee hosted open houses with representatives from the Social Security Administration and the Postal Service to discuss their best practices in accelerated reporting. The Committee has also published the list of impediments to accelerated reporting and agency audit timelines, which is available on the CFO Council website. He also explained that



*James Sturgill, Assistant Commissioner,
Governmentwide Accounting, Financial Management
Service, Department of the Treasury*

with simply getting it over with, accelerated reporting allows for more useful information that is synchronized with the budget. Mr. Hammond further explained that more timely information would be more valuable information for the users. Although accelerated reporting does appear to be a challenge, it can be done as the Postal Service, Social Security Administration, Department of the Treasury and the Export Import Bank have completed the process within the 45 day goal.

Mr. Hammond elaborated on the types of actions necessary to accomplish accelerated reporting at agencies. Specifically, he explained that current reconciliations and good data quality are critical. Additionally, sound internal controls that could be evaluated by an auditor are necessary because there would be less time to audit the end results with the tighter



*Dale Sopper, Deputy Commissioner, Finance,
Assessment and Management, and CFO, Social
Security Administration*

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Keynote Address by David M. Walker Comptroller General of the United States

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generation as well as overall rising health care costs. This fiscal “gap” can be helped if we can further increase economic growth; however the “gap” is so great that we cannot “grow” our way out of it

We must fundamentally review, revise and reassess the proper role of the federal government in the 21st century. Tough choices will have to be made on the spending side, on the revenue side, and from a regulatory perspective. We need to look at the base of federal spending and need to recognize that there may be existing government programs that were created decades ago that are desirable, but may no longer be affordable or sustainable. The last reason given by the Comptroller General for fundamental change is the need for additional resources to defend against any future terrorist events here on U.S. soil and efforts to defend against those beyond our borders. Transformation will be required.

Who will have a role in the responsibility of the government’s fundamental change? According to the Comptroller General, “everyone in the room, as performance and

accountability professionals, has an important role to play in this change.” We must look beyond mere financial management to provide vision, leadership, and integration of various key initiatives that have a cornerstone in financial management. Others who have a role in this change are the executive and legislative branches of the federal government, the press, “good government” organizations, and ordinary citizens. In fact, every American has a stake in the success of our federal transformation efforts.

How do we proceed with transformation? We proceed through leadership, vision, a plan with key milestones and appropriate incentives, transparency, and accountability mechanisms. The Executive Branch has a responsibility to create this plan. The President’s Management Agenda is the Executive Branch’s initiative to drive the transformation and is a positive and constructive step. Priorities must be set; attention must be focused and geared towards results, and accountability for results must be assured. The Comptroller General emphasized that the President’s Management Agenda is not enough.

The Government Performance and Results Act (GPRA) is 10 years old this year, and the Inspector General’s Act is 25 years old this year. We hope that Congress will assess each of these acts, given the significant milestones being reached this year. For instance, GPRA has called for a government-wide performance plan – yet 10 years later we do not have one. We need to develop a set of key national indicators that would not be goals or priorities but outcome-based measures that would deal with a variety of economic, social, security, and environmental factors. These factors could be used to assess our nation’s overall position and



*David M. Walker,
Comptroller General of the United States*

CFO Council Erroneous Payments


Four papers were published as a result of the Chief Financial Officers (CFO) Council’s Erroneous Payments Committee’s work in 2002. They are available at www.cfoc.gov.

One of the primary goals for 2003 is to help agencies get their programs off the U.S. General Accounting Office’s high risk list if improper payments is a reason why the agency program is on the list.

The Erroneous & Improper Payments Working Group continues to press forward with the agenda of helping agencies consistently identify and monitor these mistakes. The group is also developing innovative methods for recovering funds as well as proactive methods for preventing the errors on the front end.

The April’s meeting agenda includes the following items:

1. OMB’s representative will be distributing the draft guidance for implementing Public Law 107-300. A lively discussion is sure to ensue. In addition, the OMB representative will share up-to-date information on a funding mechanism for managing the costs associated with increased internal controls.
2. A speaker from Booz, Allen & Hamilton will present the topic of how to perform quick sampling to establish an erroneous payment rate.
3. Staff from the Department of Defense, Office of Inspector General (OIG), will discuss ways to perform in-house recovery auditing.

For more information, please contact Sally Clark, Office of CFO at the Department of Education, (202) 401-2616 or Theresa Lehr, OIG Education, (202) 205-5497. 

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AWARDS RECIPIENTS

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As the Budget Director for the State of New York, Carole E. Stone oversees a budget of approximately \$90 billion. Ms. Stone managed the overhaul and modernization of New York State's financial management and personnel systems that have enhanced accountability and control in State government. She also spearheaded the full automation of New York's Budget and Financial Plan, linking budget forecasts to actual accounting and payroll information housed in a state-of-the-art flexible data warehouse. These initiatives dramatically improved New York's ability to predict and manage spending and increased overall accountability for budget forecasts. The new systems have provided real time information for decision making for both budget negotiations and the management of the State government. Ms. Stone's commitment to improving government accountability and control has been demonstrated by her personal sponsorship of an annual NY State Leadership & Accountability conference attended by a broad spectrum of State government managers.



SSA Commissioner JoAnne Barhart with Messrs. Daniels, Sopper and Walker



NY State staff, Kevin Quinn and John Cape joins award recipient Carole Stone and JFMIP Principals

Governor Pataki stated in a letter read during the award ceremony, "Throughout your career, you have played a pivotal role and have represented a true sea change in the financial management of the State of New York and have materially changed the character of New York State's fiscal integrity for years to come. Few, if any, other budget officials in New York's history have been part of such sweeping change in the overall character of State government."

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Keynote Address by Mitchell E. Daniel, Jr.

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OMB issued a new part of the federal budget, entitled, "Performance and Management Assessment." After two years of working on the performance and management assessments, top political appointees realized that this is not a fad that will go away and that the President means business about his agenda. In each of his meetings with senior leaders, the President has the Management Scorecard on the table. A commitment to continued management improvement permeates all the way down to the level where the real work happens. To find leadership convened around the PMA is a real source of progress.

The Director commended Federal agencies for achieving integrity over financial information. A record number of major departments and agencies passed their annual audits, 21 of 24 CFO Act agencies received a clean audit opinion on its FY 2002 financial statements. He pointed out that the Department of Agriculture overcame significant financial management challenges to receive a clean audit opinion for the first time in its history. The Department of the Treasury and the Social Security Administration received clean audit opinions on its financial statements within 45 days of the end of the fiscal year, meeting a government-wide goal two years early. The Department of Education went from qualified to clean, and the Federal Emergency Management Agency and National Aeronautics and Space Administration

reclaimed the clean audit opinions they had recently lost.

He stated that the role to transform the Federal government is the role of every employee in government, regardless of their management level. He stated the employees are "agents of continuous improvement, productivity and performance." The federal government is in the midst of modernizing and consolidating its financial management systems to produce a more efficient process.

One of the major challenges of the PMA is competitive sourcing. We should look at the President's Management Agenda as an opportunity to better serve the public. He pointed out that the Federal government needs to manage contracts better. We currently do a poor job of extracting value from contractors. We need to recognize the need to award those who promote better performance. The Federal government should be more cost effective and as efficient as possible for the American taxpayers. He stated, "The notion of competitive sourcing is often mislabeled as outsourcing, which is wrong, or privatization, which is just untrue. . .we need to be indifferent to whether incumbent employees or a private firm that competed for a contract provides the services. As long as the taxpayer wins, we need to be indifferent."

Mr. Daniels thanked the Chief Financial Officers and financial management community for doing a better job to improve financial performance. He stated that there were two ways to look at life and its



*Mitchell E. Daniels, Jr.,
OMB Director*

challenges, by convening the following baseball story: Approximately four decades ago, Frank Howard came to the baseball scene. Frank Howard was a giant of a man, and could bat a ball a "country mile." As he came to the batter's box to face the New York Yankees, catcher Yogi Berra went out to pitcher Whitey Ford and said, "gotta pitch around him," to which Ford replied, "you kidding, what a strike zone!" Hopefully, this is the way we, as financial managers, look at the President's Management Agenda. As daunting as it may seem, we view the President's Management Agenda as a "strike zone," and we need to take advantage of it.



Developmental Assignments

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presents the Agency's strategy, priorities, and timetable to fully meet government-wide requirements for primary accounting systems. He also participates in the development, implementation, and post-implementation review of Federal financial management policy.

Prior to his current assignment, Chuck was the Business Systems Architect for NASA's Integrated Financial Management

(IFM) System. He ensured that the Commercial-Off-the-Shelf (COTS) system complied with JFMIP requirements and other federal financial management policies and regulations. Chuck established the business drivers impacting the business and systems architecture and converted business/systems requirements into specifications for vendor identification and selection.

He is a U.S. Navy veteran. He earned

his Bachelor in Business Administration (Accounting, Management and Economics) from the University of Montevallo in 1977 and his Masters of Arts (Political Science) from Ball State University in 1981. Chuck began his civil service career in 1977 with the U.S. Army Training Center at Fort Jackson, South Carolina as an Accounting Intern. Over the next 22 years, he held various positions within the Department of Defense.



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progress, both domestically and internationally. Success should not be measured solely on the priorities set by each administration or the views of the opposition party; the indicators should state the facts so that people can make their own judgments about where we are, how far we have come, and where we are headed. The Comptroller General suggests that certain federal departments and agencies consider implementing a second level position – Chief Operating Officer — that would focus on the planning and integration of various key transformation initiatives.

The Comptroller General highlighted the five goals of the President's Management Agenda (PMA). The PMA not only gives the status of agencies with regard to the five goals, but it also gives the agencies' progress toward the PMA goals. Strategic management of human capital should emphasize that people are the key to the success of our government transformation effort. As such, they should be treated more like assets instead of liabilities. Competitive sourcing is a means to an end and must be a fair process. There have been significant improvements in financial management because of the emphasis being moved to substance over form – receiving a "clean" audit opinion should not be held as the definition of success. Expanded e-government includes the integration or elimination of legacy computer systems. Budget and performance integration links resources to results and the data should be used to set priorities and to allocate limited resources.

The Comptroller General also touched on what GAO is doing towards government transformation. First, GAO is dedicated to "leading by example" and has the responsibility to be better than any agency that they are evaluating on basic management issues; GAO is committed to "practicing what they preach." GAO is transforming its organization to better serve its client and to achieve measurable results, as well as improve the transparency of its policies and criteria (e.g., high risk criteria). GAO is changing the nature of its work to move beyond fraud, waste, and abuse to include a range of economy, efficiency and effectiveness activities. GAO is also working

constructively with federal agencies to identify not only what is not working but what is working right and the progress that is being made. Finally, GAO is working with entities outside of the federal government, such as state and local government officials and auditors-general from other countries in the areas of long-range fiscal challenges, human capital, competitive sourcing, independence, and a range of other areas of mutual concern.

In closing, the Comptroller General stressed that it takes years of concerted effort to build a positive reputation, a reputation of integrity and trust; however such trust can be lost easily if one does not do the right thing in connection with a critical issue. Also, keep in mind that laws and other policies (e.g., auditing and accounting standards) set the floor or minimum standards of acceptable behaviors, not the ceiling or desired state. We must exercise our independent and professional judgment; we must be dedicated to professional standards and core values; and we must always do what we think is right, even if it may not be the popular thing to do.

Finally, the Comptroller General told everyone that each financial management specialist has a major role to play, not just in the area of financial management, but also in the overall challenge in how to transform the federal government. He challenged all present to work together to achieve positive and lasting change.

FY 2002 U.S. Government Financial Report Released

The Department of the Treasury and the Office of Management and Budget (OMB) released the Fiscal Year (FY) 2002 Financial Report of the United States Government on March 31, 2003. The report provides a comprehensive picture of the government's finances in accordance with Generally Accepted Accounting Principles. The report discloses the assets, liabilities, costs and commitments of the Executive branch and parts of the Legislative and Judicial branches. For FY 2002, the U.S. Government reported an accrual-based net operating cost of \$365 billion. The report covers the disposition of more than \$1.9 trillion in revenues and \$2.3 trillion in operating costs, as well as extensive stewardship responsibilities and social insurance commitments, such as Social Security, Medicare, and liabilities including civilian and military retirement pensions and benefits.

Treasury Secretary John W. Snow stated, "This annual report represents the government's efforts to present an improved and more complete snapshot of the government's financial position. I am particularly pleased to see that many agencies, including the Treasury Department, are streamlining procedures to ensure a more efficient submission of year-end information."

In auditing the report, the General Accounting Office (GAO) was unable to express an opinion on the consolidated financial statements because of material weaknesses in internal control and in accounting and reporting. Principal reasons for this were:

- 1) significant financial management weaknesses at the Department of Defense,
- 2) accounting of intragovernmental transactions among federal entities, and
- 3) properly preparing the consolidated financial statements.

It should be noted that the Defense Department has been aggressive in improving financial management and has made progress in streamlining and

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Keynote Address for Kay Coles James by Clarence Crawford

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- Enterprise Human Resources Integrations, which will enable the electronic transfer of Human Resources data throughout the government, eliminating the need for paper employment.
- E-Payroll, which replaces 22 current providers of payroll and related services with four providers and saves \$1.2 billion over 10 years.

These five E-Government initiatives, along with the Retirement Systems Modernization program, encompass the Federal employee's entire work lifecycle.

E-Clearance is being implemented due to an agreement with the Department of Defense to consolidate responsibility for personnel security investigation to the Office of Personnel Management. OPM is well suited to manage personnel services such as background investigations, which allows the Department of Defense to focus more fully on its core mission of protecting our Nation from aggression. In this capacity, OPM is deeply committed to homeland security and supports all efforts to effectively increase the ability of the nation to protect the interest and safety of all Americans.

OPM's E-Training recently launched the second module of GoLearn.gov; the government's on-line learning resource. It was launched ahead of schedule and under budget. OPM is partnering with the Federal Law Enforcement Center. This partnership will deliver E-Training, information and the ability to collaborate with public safety and law enforcement. E-Training is great for employees and finance officers in permitting easy access to cutting edge technology and providing significant economies of scale for the training dollar. To date the program has saved the taxpayers \$1.9 billion dollars and is a win-win for everyone.

The President has given us all the challenge to simplify and unify, to take advantage of economies of scale, and to reduce redundancies. OPM is doing that every day. An excellent example is the E-Payroll initiative, which is currently being developed for implementation. A study by the Joint Financial Management Improvement

Program (JFMIP) concluded that the hodgepodge of 22 independent federal payroll providers needed hundreds-of-millions-of-dollars in modernization improvements. OPM is fixing that through modernization and elimination of redundancy under E-Payroll. Four payroll service providers have been identified to replace the 22 current providers for the Federal government's 1.8 million employees. The four E-Payroll



Clarence C. Crawford, Associate Director for Management and Chief Financial Officer, Office of Personnel Management (OPM)

providers, representing two strategic partnerships, are Department of Agriculture, Department of Defense, Department of Interior and the General Services Administration. The E-Payroll initiative, which will be in place by September 2004, is like a paycheck to taxpayers who will no longer be asked to subsidize a bloated and archaic payroll system in dire need of costly modernization.

Enterprise Human Resource Integration is another area where OPM has made great strides in recruiting, management and personal incentives. Recruitment One-Stop is a means to recruit and retain top talent. An OPM contractor will work on a major redesign of the USAJOBS web site. The contractor is the parent company of Monster.com. The job is to overhaul clarify and maintain the OPM jobs web site. The overhaul includes putting the 17,000 average daily Federal vacancy announcements in a

clear more instructive language, like English. The USAJOBS home page will also be linked to the Monster.com site. The contractor will also add an enhanced job-search engine and a resume builder tool, a "mining" feature that will offer Federal managers a way to locate job candidates through resumes filed and stored online at USAJOB.gov.

OPM is working hard to develop plans that will help Federal agencies move toward more strategic management of human capital. Specifically OPM has produced results with a major agency restructuring to four divisions resulting in the ability to provide a more coordinated response to the needs of the Federal community. The newly restructured operation will guide all Federal agencies in the strategic transformation necessary to achieve the goals of the President's Management Agenda – a government that is "citizen centered, results focused, and market driven."

Traditionally it has taken up to six months to hire a senior executive into the Federal government. Ms. James insisted it could be cut to 30 days – a goal that was met with the four new critical positions. The Federal government needs the best and the brightest to join its ranks. You simply can't expect exceptional people to wait an average of five months for a job.

Better use of human capital is teleworking, a popular option that is being employed on an increasingly broad basis. Teleworking is an important readiness tool, which OPM will continue to work with agencies to facilitate the cultural change necessary to achieve maximum government-wide participation.

New thinking is needed to include flexible policies and regulations to help meet the government's human capital management needs. Tremendous gains have been made since 2001 when there were 3 major challenges. Senior leaders were not engaged in strategic thinking about their current and future workforce needs, the agency human resources experts were rarely considered

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Strategic Management of Human Capital

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developing its performance management system. The Department of Defense has stated its intent to develop its own system. The next steps in government-wide human capital are for the Administration and Congress to consider legislative actions that would help Federal employers attract, retain,



Michael Montelongo, Assistant Secretary for Financial Management, Department of the Air Force

and motivate skilled employees in areas such as broad-banding and performance-based pay, phased retirement, and pay compression.

Marta Perez, Associate Director for Human Capital Leadership and Merit Systems Accountability, Office of Personnel Management (OPM), emphasized that people are an organization's most valuable assets and their value can be increased through targeted investments. Investment in human capital resources increases capacity of agencies to perform. OPM along with other stakeholders such as the Office of Management and Budget (OMB), GAO, Merit Systems Protection Board, and the Inspectors General are making a coordinated effort to address strategic human capital management and agree that its practices should be linked to agencies' strategic plans. Accountability for making the alignment between human capital and strategic planning rests not only with human resources officers, but also with the senior leadership of an organization.

Strategic management of human capital is the transformation in the employment, deployment, development, and evaluation of the Federal workforce with results in mind. A longstanding challenge has been the lack of alignment between the organization's goals and its needed human capital. This alignment goes beyond describing activities to demonstrating how the activities enhance performance. Another challenge has been insufficient accountability for performance, and in particular outdated individual performance management systems. A skills gap, knowledge drain, and workload imbalance, as well as reduced investment in training people, have also presented challenges. Ms. Perez cautioned that agencies should be proactive in managing their workforces and not depend on the national economy to ease pressures in areas such as recruitment and retention.

What is OPM's role in the human capital initiative? First, OPM is completing its own restructuring so that it has the capacity to support other agencies. Under this restructuring, OPM has four Associate Directors to direct major government-wide initiatives. For example, in her capacity, Ms. Perez found that agencies are using only a fraction of the flexibilities available to them and intends to encourage agencies to take advantage of these flexibilities. Second, OPM is holding itself accountable for government-wide human capital success by providing assistance to agencies and continuing to work with Congress, OMB, GAO, and others.

Progress towards strategic government-wide human capital is outlined in "The Standards for Success" in the President's management reform agenda. This reform agenda shows that human capital is one part, along with e-government, financial management, competitive sourcing, and performance budgeting, of an integrated approach to improve federal management. The human capital standards for success are: 1) strategic alignment; 2) workforce planning and deployment; 3) leadership and knowledge management; 4) talent; 5) results-oriented performance cultures; and 6) accountability. Each standard has critical success factors. For example, the critical success factors for talent

are workforce analysis and competition for talent. Applied generally to the government-wide workforce, about 70 percent of senior executives are eligible to retire. This means that agencies need to develop strategies, such as candidate development programs, to ensure that they have new leadership to succeed the current executives. Ultimately these standards contribute to an agency's improved performance and achieved results.

In addition to the President's Standards for Success, Congress passed the 2002 Homeland Security Legislation, which included government-wide human capital provisions. It created the Chief Human Capital Officer, established a Chief Human Capital Officer Council, required OPM to design a set of metrics for assessing management of human capital, and allowed for direct hiring authority, among other things.



Angela Antonelli, CFO, Department of Housing and Urban Development

What's ahead? OPM will release survey data that establishes a baseline from which agencies can develop strategies to improve their management of human capital. These strategies will depend on robust human capital offices. Agencies need to enhance their own capacities.

The Administration has proposed a Human Capital Performance Fund for fiscal year 2004 that sets aside \$500 million for OPM to provide to agencies that have

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Panel Session E-Government & Enterprise Architecture

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OMB and Chief Information Officers (CIO) Council are working together to ensure the FEA is operationalized and the governance process succeeds. One of the Committees of the CIO Council, the Architecture and Infrastructure Committee, has been working on various initiatives to ensure that this process is moving.

The Business Reference Model (BRM), Version 1.0, was published in July 2002 for use in FY 2004 budget process. The analysis of agencies' FY 2004 budget submissions revealed multi-billion dollar consolidation opportunities across the Federal government. A draft BRM Version 2.0 is out for Federal agency review and comment. OMB is working on a draft FEA Performance Reference Model (PRM) with plans for a final PRM to be released for use during FY 2005 budget formulation cycle. In addition to these models, the FEA includes three models that specifically address information technology:

1. Service Component Reference Model (SRM), which is a business driven, functional framework, that classifies capabilities or service components according to how they support business and performance objectives,
2. Technical Reference Model (TRM) which supplements the existing TRM and E-Government guidance by providing a foundation to advance the reuse of technology and service components from a Government-wide perspective, and
3. Data and Information Reference Model (DRM), which supports investment, and E-Gov planning by providing a framework for agencies to leverage existing data components across the Federal government.

The goal is to launch the Federal Enterprise Architecture Management System (FEAMS) on www.feapmo.gov by early April.

"Creating a Government that Delivers Results" was the topic of Stephen Galvan's presentation. He is the Portfolio Manager, Internal Efficiency & Effectiveness, E-Government at OMB. The current Administration sees expanding E-



*Jerry Williams,
Chief, Financial Systems Branch, OFFM, OMB*

Government as an enabler allowing the U.S. Federal government to move from "agency-centered" to "citizen-centered." The vision is to be able to have decisions in minutes or hours, not weeks or months. One of the lessons learned is that the Government must focus on unifying and simplifying around the citizens needs. The Government needs to build easy to find one-stop shops for citizens, creating single points of easy entry to access high quality government services. The Federal government needs to:

- Reduce the burden on businesses through the use of Internet protocols and consolidating a myriad of redundant reporting requirements.
- Make it easier for States and localities to meet reporting requirements, while enabling better performance measurements and results, especially for grants; and
- Reduce costs for Federal government administration by using best practices in areas, such as supply chain management, financial management and knowledge management.

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GSA Makes Lodging Simple

There are few guarantees in life — but the General Services Administration (GSA) Federal Premier Lodging Program (FPLP) guarantees rooms and guarantees rates and where they are needed! guarantees rooms where they are needed!

There are already 378 hotels participating in 41 cities across the country. There will be over 1,200 hotels in 70 cities by the end of 2003!

What is FPLP?

The Federal government spends nearly \$1.7 billion a year with the lodging industry, but, in almost all cases, federal travelers have no assurance that rooms will be available at fair prices. Through FPLP, GSA contracts with multiple properties for rooms priced at or below the established per diem rate. Federal travelers told GSA their number one concern is finding available rooms at or below per diem rates, especially in major metropolitan areas. GSA listened. Now the odds of finding guaranteed rooms, at guaranteed rates can't be beat just got a lot better.

GSA is making an aggressive effort to improve travel management and provide excellent customer service through innovative travel policies. FPLP gives travelers more time to concentrate on their jobs and less time on arranging travel by providing convenient and safe rooms, and guaranteed room availability. GSA and the federal travel community, in partnership with the private sector, launched FPLP to provide federal travelers with best value.. This program improves services provided to federal travelers — at total best value.

Benefits of FPLP Hotels

Federal travelers enjoy these benefits at FPLP hotels:

- FPLP hotels are on the fire safety list maintained by the Federal Emergency Management Agency (FEMA). Federal travelers should always seek a hotel that is on FEMA's safety list.

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21 Agencies Received Clean Opinions on Financial Statements

Congratulations to the 21 of 24 major departments and agencies that received unqualified opinions on their annual financial statements for fiscal year 2002! Two government agencies—Department of the Treasury and the Social Security Administration—set the standard for timeliness of producing clean audits within 45 days of the end of the fiscal year. The Department of Agriculture overcame significant financial management challenges to receive a clean audit for the first time. The Department of Veterans Affairs submitted its financial statements in December.

The agencies that received clean opinions are:

- Department of Agriculture
- Department of Commerce
- Department of Education
- Department of Energy
- Department of Health and Human Services
- Department of Housing and Urban Development
- Department of the Interior
- Department of Justice
- Department of Labor
- Department of State
- Department of Transportation
- Department of the Treasury
- Department of Veterans Affairs
- Environmental Protection Agency
- Federal Emergency Management Agency
- General Services Administration
- National Aeronautics and Space Administration
- National Science Foundation
- Nuclear Regulatory Commission
- Office of Personnel Management
- Social Security Administration.



Panel Session Improving Financial Performance

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partners; parallels private sector practices, and exploits available technology – all key ingredients for success. The five initiatives managed by GSA are vital for improved financial management: Integrated Acquisition Environment, eTravel, Federal Asset Sales, USA Services, and eAuthentication. These initiatives support the common objectives of moving the U.S. Government toward a more efficient electronic government. Ms. Sorrenti manages the Integrated Acquisition Environment initiative which will secure a business environment that facilitates and supports cost-effective acquisition of goods and services in support of mission performance by:

- 1) Creating a simpler, common, integrated business process for buyers and sellers that promotes competition, transparency and integrity;
- 2) Increasing data sharing to enable better business decisions in procurement, logistics, payment and performance assessment; and
- 3) Taking a unified approach to obtaining modern tools to leverage investment costs for business related processes.

A Steering Committee, comprised of members from the Quad Council (Chief Financial Officers, Chief Information Officers, Procurement Executive Council, and Human Resources Managers Council), sets short-term and long-term objectives. A portfolio manager from the Office of Management and Budget helps manage progress of the group, as does the Managing Partner from GSA. Other partners include representatives from the Departments of Agriculture, Commerce, Defense, Labor, Transportation, Veterans Affairs, National Aeronautics and Space Administration, and Small Business Administration, with other agencies participating.

Cross-agency teams are implementing modules of the initiative. The Business Partner Network (BPN) is working to deploy a single point of registration and validation of supplier data accessed by all agencies. The Federal Procurement Data System-Next Generation Team is implementing a central point for



*Teresa Sorrenti, Project Manager,
General Services Administration*

consolidated collection and access of statistical and management information related to government acquisitions. The eCatalogs/Interagency Contracts Team is creating an online directory of GWAC and other contracts to simplify selection and facilitate leverage of Government buying. Standardized data elements, uniform identification codes and established and business rules will assist this process. The Intragovernmental Transactions Team is transforming intragovernmental ordering and billing, reducing payment and collection problems, and enabling timely and accurate revenue and expense elimination processes for preparing consolidated financial statements. The current intragovernmental ordering process is a paper-based process characterized by a lack of structure, causing delayed capture of funding impact until time of expenditure. Delayed capture creates disputed billings and poor financial data, requires tremendous resources to identify, reconcile and resolve disputes, and impedes award of clean opinions. In accordance with the M-03-01 OMB Memorandum, this module is providing for registration of Federal agencies in the BPN, and prototyping a portal to exchange order and

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Panel Session: Competitive Sourcing

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*Ira Goldstein, Vice President and
Managing Partner, Federal Government
Group, UNISYS*

He also offered the following lessons:

- Set A-76 program initiative at agency level, independent of individual, emotional stakes.
- Configure work statement around performance-based requirements, not process management or manpower levels.
- Assure selection panel has sophisticated understanding of services under consideration.
- Assure industry proposals communicate well to broad range of possible reviewers.
- Have the most efficient organization (MEO) evaluated by same panel against same standards at same time as industry proposals.
- Use alternatives to A-76 focused on workforce support as a key factor in proposals and selection personnel.
- Find the right combinations of public/private combinations to make it work.

Mr. Goldstein stated the revised A-76 initiative is a positive first step towards reform, but much more still needs to be done. He also suggested several steps to adding value to the competitive sourcing process, such as: expand use of integrated process, give more flexibility to agency management, provide better accounting for all costs, support use of performance-based results and support smart alternatives where they make sense. By working together, both the government and private sector can achieve "win-win" results.



*Eileen T. Powell,
Deputy CFO, IRS*

Linda Springer Confirmed As OMB Controller

On March 31, 2003, the United States Senate unanimously confirmed President Bush's appointment of Linda M. Springer as Controller for the Office of Management and Budget (OMB). The Controller provides government-wide leadership to strengthening the financial management of the Executive Branch.

"The corporate scandals of the past year have underscored the necessity of keeping books clean and financial information accurate. The American people deserve no less. These are standards we should expect in government every bit as much as they are expected in the private sector," said Linda Springer.

As Controller, Ms. Springer will lead the Improved Financial Performance initiative of the President's Management Agenda. The initiative is improving the quality and timeliness of Federal financial information, ensuring the efficiency and effectiveness of financial systems in the Federal government, reducing erroneous payments, and improving Federal asset management. Ms. Springer will also head OMB's Office of Federal Financial Management and chair the Chief Financial Officer's Council in the absence of OMB's Deputy Director for Management.

Most recently, she served in a number of executive capacities with Provident Mutual, including as Senior Vice President and Controller, Vice President and Controller, Assistant Vice President and Actuary, and as Actuary. Springer previously was named Vice President and Product Manager at Penn Mutual Life Insurance Company after serving there as Assistant Vice President and Product Manager, Executive Assistant to the President, and in a variety of actuarial positions. She began her career as Staff Associate with Coopers and Lybrand. Ms. Springer is a Fellow of the Society of Actuaries and holds a Bachelors in Science from Ursinus College.



Panel Session: Improving Financial Statements

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the Committee has held a private sector council forum on actuarial estimates. In addition, the Committee analyzed various central agency issues that may affect the accelerated reporting.

In closing, Mr. Hammond reiterated the importance of the perception that the public may have of federal government accounting. He summarized that in meeting the accelerated reporting deadlines, agencies should 'start yesterday' and be creative, as it may be necessary to think outside of the box. He also reminded the audience that although changing business practices is tough, it is necessary.

James Sturgill, Assistant Commissioner, Governmentwide Accounting, Financial Management Service, Department of the Treasury, focused on the new Closing Package. The Closing Package is a prescribed format of financial statement data needed to prepare the Financial Report of the United States Government (FR). Mr. Sturgill explained that the change was necessary because GAO had determined that the Account Grouping Worksheet process was unauditable. Additionally, the FR consolidation process had been plagued by three on-going material weaknesses—reporting of inconsistencies, elimination of intragovernmental balances and reconciling operating results with budget receipts. The Closing Package will assist in eliminating the first two material weaknesses. Specifically, it will improve consistency by starting with agencies audited numbers and provide proof of changes in net position and it will promote balanced elimination entries.

Mr. Sturgill provided an overview of the Closing Package requirements, which included the following:

- Agency's Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, and the Statements of Custodial Activity (if applicable) are to be reclassified to the FR line items.
- Intragovernmental line items are to be listed by trading partner, amount and eliminated.
- Balance Sheet line items will require additional note information to be reported and consolidated in the FR.
- Other information not contained in primary statements or notes will be disclosed to meet Federal Generally Accepted Accounting Principles (GAAP) disclosure requirements.
- All Closing Package reporting will be reported at the Department or agency level.
- New audit procedures will be required.
- A new web-based reporting system is being developed to collect the Closing Package.

Mr. Sturgill also provided a brief overview of the Closing Package reporting process. He explained that every line item entered into the Closing Package must match the audited financial statements. The financial statements are then restated to the Closing Package format, which is dictated by the line items of the FR. The Closing Package also requires trading partner information to be entered for

each intragovernmental line item. Additionally, a standard set of notes and other information (including stewardship information, deferred maintenance, prior period adjustments, dedicated collections, and commitments and contingencies) will be required to be entered. Treasury is currently working with OMB to develop audit guidance and specific procedures for IG audit coverage. Agencies will still be required to transmit FACTS I and Adjusted Trial Balances. In addition, agencies will be required to provide SGL logic for each line item of their financial statement.

Mr. Sturgill also explained that the new Closing Package will eliminate some of the previous requirements. Specifically, Account Grouping Worksheets will no longer be required in FY 2004, FACTS Notes will no longer be submitted as part of FACTS I in FY 2004, and the business line reporting requirement will no longer be required in FY 2004. However, Mr. Sturgill did reiterate the accelerated due dates that accompany these changes. For FY 2003, agency audited financial statements are due February 1, 2004 and the FR is to be completed by March 31, 2004. For FY 2004, agency audited financial statements are due November 15, 2004 and the FR is to be completed by December 15, 2004.

Mr. Sturgill elaborated on the timeline of implementing the Closing Package. He explained that a draft has been distributed for comment, but only minimal comments have been received thus far. They anticipate issuing the final Closing Package in the TFM in June 2003 and opening the system at this time for agencies to gain experience. In August 2003, they hope to test the system with selected agencies and then have full implementation by September 2004.

The presentation of Dale Sopper, Deputy Commissioner, Finance, Assessment and Management, and CFO, Social Security Administration, focused on the importance of teamwork and planning to meet the accelerated financial reporting timeframes. Mr. Sopper spoke from a true experience as his agency, the Social Security Administration (SSA), actually completed their FY 2002 Performance and Accountability Report within 45 days.



*Donald Hammond,
Fiscal Assistant Secretary,
Department of the Treasury*

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A Joint Perspective

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if commercial activities are performed by government employees or by private sector companies. As currently organized, government relies on a myriad of non-integrated, non-standardized, stove-piped, narrowly oriented business systems to support government functions. The enterprise architecture seeks to identify system redundancies and gaps, in order to exploit opportunities to consolidate redundant systems and maximize payoff for information technology (IT) investment. OMB seeks to orchestrate opportunities across agencies to use common systems. The Department of Defense identified the challenge within its own agency of transitioning from functionally stove-piped systems to integrated business systems that support end-to-end decision support. The challenge for financial management is that it is a mission support activity that is impacted by every mission that uses resources. Information integration is required at multiple levels. Achieving this goal depends upon unprecedented consensus for governing business systems and reengineering business processes at the transaction level. Sustained leadership commitment is a must.

Competitive sourcing seeks to achieve economies by exposing commercial type work currently performed by government employees to competition. The cross cutting thesis for these different approaches is that management should aggressively exploit the most efficient combination of resources including IT resources and vendor resources to achieve mission goals. This means changing use of technology, contractors and government employees based on business cases that look across agencies as well as within agencies. Performance trumps method of service delivery.

Who Does It?

Discussion of who does the work focused on human capital performance in a time of change. Work process transformation is underway. The future places the premium on analysis and decision support. It also relies on standardization, automation, and

integration of transaction processing to produce information needed for analysis and decision support.

To achieve the transition, human capital should be treated as an asset rather than a cost. Management practices must align to support mission priorities. A significant percentage of the incumbent federal workforce is nearing retirement. That presents an opportunity as well as a challenge. Leadership commitment is necessary and it must be informed by assessment of future competency needs for future work. Methods to acquire, develop, and retain federal employees must be honed to achieve skill and competency profile that best serves mission priorities. Performance management, recognition, and reward systems must recognize results rather than longevity.

The financial management field epitomizes these transitional challenges. We are aging. Performance expectations are increasing. Work methods are changing rapidly due to technology, consolidations, and use of private sector service providers. The demand for analysis and decision support will only increase. The future federal financial management work force will likely be smaller, with a priority on more flexible, better trained and educated professionals that provide analysis and decision support services. How do we make that transition? OPM, agency leadership, the CFO Council Human Capital Committee all face the similar challenges of reorienting established management systems to become more performance and results oriented and are working in concert to address those issues.

The JFMIP Role

It has been a privilege to host the 32nd JFMIP Conference to provide leadership forum for these important issues. JFMIP plans to enhance the community knowledgebase through projects planned for completion this quarter. Our FY 2002 JFMIP Annual Report and Future Plans is

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Financial Management Profile - Dr. Linda Combs

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the target to be met in connection with the President's Management Agenda while preserving EPA's sound abilities to protect the environment and human health.

Dr. Combs knows that a great deal of public attention has been directed to the wave of retirements that is expected to hit all of us in the coming years, and the impact it will have on our ability to maintain organizational expertise. She delivered a clear and consistent message throughout her office, that is, the need to strengthen and deepen their bench by assembling the strongest team of professionals to deliver the support EPA deserves. She knows that expertise and credibility are required to earn the trust and respect of their colleagues.

Systems

One challenge EPA is facing in connection with financial systems replacement is the tension between using enterprise solutions and "best of breed." Commercially available software for financial systems is exquisitely calibrated for the private sector but has yet to achieve the same level for the Federal market.

Dr. Combs feels it is crucial for the government to set technical standards for financial systems. This would make the job much easier for IT firms and for government agencies. EPA relies on the private sector for system maintenance and updates. This partnership has been extremely beneficial. She finds using consulting services to be indispensable to get the best independent and up-to-date advice on core business processes. She has also used accounting firms for auditing portions of EPA's financial statements.

Budget, Accounting, and Financial Statements

Dr. Combs thinks one of the strongest points in the President's Management Agenda is that there needs to be a clear link between the resources that Federal agencies use to support their programs, and the results those programs produce on behalf of the American people.

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Panel Session Improving Financial Performance

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bill data prior to generation of an IPAC funds transfer. The fifth team, Standard eTransactions/Interfaces, is developing a standard glossary and vocabulary to facilitate the exchange of data between and within agencies.

Mark Carney, Deputy CFO, Department of Education, highlighted key objectives and challenges in reducing erroneous payments in the context of improving financial performance at the Education Department and also governmentwide from his perspective as Chair of the CFO Council's Erroneous Payments Committee. The Education Department has experienced a variety of internal control problems resulting in erroneous payments, but recently earned a clean opinion and is moving towards sustained financial accountability. The Department systematically took steps to find and recapture erroneous payments and has begun implementation of Recovery Auditing legislation. The Department has also participated in OMB's required quarterly reporting of purchase and travel card programs, of which frequent review and early identification of problem areas has proven key to reduction of credit card misuse.

As chair of the CFC Erroneous Payments Committee, Mr. Carney focuses on reducing erroneous payments in a number of benefit programs (Medicare, Medicaid, employees income tax credit (EITC), Housing Subsidies, and others). These programs are shared across 15 agencies and contribute an estimated \$30 billion in erroneous payments. To reduce misuse of the EITC program, the Committee has worked to verify eligibility for those who deserve benefit and is working to evaluate the overall operation and design of government programs in order to establish shared erroneous payment reduction targets. The desire to make programs as accessible as possible to eligible recipients may result in increased erroneous payments. The Departments of Education, Labor, and Housing and Urban Development, are seeking authority to verify recipient

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Strategic Management of Human Capital

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performance management systems that can make real distinctions in performance. Workforce analysis needs to drive recruitment decisions, with an emphasis on bringing minorities into federal service. Lastly, the key is knowledge management and how to share knowledge and expertise from long-serving Federal employees before they retire to those just starting their careers.

Angela Antonelli, Chief Financial Officer (CFO), Department of Housing and Urban Development (HUD), observed that the CFO job is a tough one. Many Federal agencies rival the size of some of the nation's largest private sector companies and their programs and activities reflected in the annual budget now exceed more than \$2 trillion. To be effective stewards of public resources, the CFO must have the right workforce that can conduct a variety of business processes, including budget and finance, accounting, collections and receivables, among others. CFOs face human capital challenges. The average age of the Federal financial management workforce has increased from 44 in 1996 to 47.4 in 2002 and a large percentage of the workforce is eligible to retire. Further, many CFOs lack human capital plans for the next 3-5 years, fail to recruit qualified personnel, and maintain overly burdensome hiring processes.

To build and retain a quality financial workforce, there must be a consistent leadership and vision, recruitment strategy, employee development and retention, flexible performance-based system, as well as a broader financial management career concept to support the new culture. All too often, these elements do not exist for the Federal CFO. Ms. Antonelli believes that her office does not have sufficient staff to support a department with a \$32 billion budget. Among HUD's immediate Federal financial workforce needs is to provide training to address imbalanced skills. To address this need, the CFO requires each employee to prepare an Individual Development Plan. Internship and rotation programs allow staff to have a broader exposure to financial management, encourage cross-pollination, and breaks

down the silos that used to characterize job descriptions. Other actions at HUD are to determine business needs and required skill sets and to initiate succession planning. Planning for long-term workforce challenges at HUD involves executing a strategic workforce plan, aligning performance with strategic goals, establishing formal training programs, and streamlining the hiring process.

The CFO Council's Human Capital Committee was created to help departments achieve their missions and has long supported Federal financial workforce transformation. Its primary objectives are to promote effective financial management education and training and to assist agencies recruit and retain highly qualified financial management personnel. The Committee has relied on volunteer activities. Overall, the committee intends to find untapped resources in the federal financial community. Among its planned activities is to identify and publicize innovative financial management training programs. Using an online survey, the committee has received over 1,550 responses on training programs, and will deliver the findings to the CFO Council this spring. The committee plans to develop a senior financial executive development program to identify and train the next generation of senior financial managers. The committee is redesigning the CFO Fellows program into a 2-year program with tailored developmental assignments and a rigorous nomination, selection, and assessment process. Additionally, the committee is working with OPM to promote a financial management career track in the Presidential Management Intern program.

In the long-term, the committee will advance the President's goals by: establishing a program to help agencies develop financial management human capital plans; identifying barriers to improved financial management personnel policies to overcome barriers in hiring, retaining and training staff for financial positions; and maximizing financial training programs to develop future senior

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Treasury's Closing Package for the Financial Report of the U.S. Government

After long deliberations with General Accounting Office (GAO) and Office of Management and Budget (OMB), it was decided that broad and sweeping changes in the consolidation process are necessary to address the process material weaknesses identified by GAO. This will require a major rebuilding of the electronic processes used by Treasury's Financial Management Service (FMS) to prepare the Financial Report of the United States Government (Financial Report).

Treasury, in coordination with OMB, is adopting a new process to collect agency financial information that will be used to prepare the fiscal 2004 Financial Report. The new data submission, referred to as the "closing package," will be a web-based submission to FMS. The submission will cover four of the principal statements prepared by agencies. Agencies will submit the closing package via an internet system called the Governmentwide Financial Report System (GFRS). Agencies will follow an automated process to restate their audited financial statements to a standardized statement format.

During the past year, FMS has briefed agencies on the closing package concept and sought agency comments on a continuing basis as development proceeded. Late in the summer of 2002, functional requirements were developed and in November 2002, four agencies agreed to manually "test" the closing package concept. The results were favorable. Also in November 2002, an outside contractor was hired to develop the GFRS using a relational database.

This process will significantly benefit the preparation of the Financial Report. Since the new process will use agency audited statement data, FMS will be able to ensure that the data in the Financial Report is consistent with the data in agencies' audited financial statements thereby better leveraging audit work done at the agency-level and allowing GAO (the statutory auditor of the Financial Report) to rely on the agency-level audits. Treasury is confident that these changes, along with changes in the way FMS performs eliminations and consolidates the data will eliminate the material compilation weaknesses identified by GAO.

Specifically, the closing package requires an agency's balance sheet, statement of net cost, statement of changes in net position, and the statement of custodial activity (if applicable) to be reclassified to conform to the Financial Report line items. Also, intra-governmental line items are to be listed by trading partner, amount, and eliminated. Additional note information will be required for balance sheet line items for disclosure in the Financial Report. Other information required by Federal Government Generally Accepted Accounting Principles (GAAP) will also be reported in the closing package. The closing package will be audited in accordance with new audit procedures. The completion date for the fiscal 2004 Financial Report is December 15, 2004. Successful completion is dependent on the audit community responding to increased audit responsibilities, and agencies improving and reporting information on a timely basis. For more information, contact David Rebich, (202) 874-9871 or email David.Rebich@fms.treas.gov.

Panel Session: Integration of Budget and Performance

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and without changing the budget structure. Instead, a financial data warehouse was used as the integration mechanism. A new executive information system is in the works to provide timely information to managers about key efforts.

Betty Buxton, Deputy CFO, Bureau of Land Management (BLM), Department of Interior, provided some insights on the use of activity based costing (ABC) within BLM to integrate budget and performance. ABC is a key element of the management framework that is used to monitor performance. Other elements include customer and employee surveys, benchmarking, balanced scorecard measures, and the use data marts and warehouses for management information. Many views of costs are needed for effective management – budget views, financial accounting views, costs by organization, and costs by project. Work process and performance views are also vital, and ABC enables the agency to get the cost of outputs and work processes. Ms. Buxton outlined the following steps to implement ABC: identify principle cost centers; identify work activities and outputs; and align activities to outcome goals. BLM created a matrix to link outputs to outcomes. Data elements were added to financial systems to capture work activity and budget sub-activity for each outlay. Indirect costs are allocated to output costs on the basis of labor.

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Panel Session: Improving Financial Statements

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Mr. Sopper explained that there are constant challenges with accelerated financial reporting. For example, maintaining a clean opinion with the extensive reporting requirements and accelerated dates is a challenge itself. Furthermore, managing internal and closeout processes can be a monumental task, especially when coupled with the constantly evolving changes

with the federal processes and oversight guidance—such as the new Draft Super Circular. Mr. Sopper, in summary, explained the keys to addressing these challenges include planning, preparation, and teamwork.

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Panel Session: Improving Financial Statements

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Mr. Sopper provided a brief overview of the SSA and a background of the financial reporting history of the organization. SSA has demonstrated a strong history of financial reporting practices—they have been producing audited financial statements since 1987, with unqualified opinions since 1994. Additionally, SSA has produced Accountability Reports since 1995, when it participated in the pilot program. SSA had received the Certificate of Excellence in Accountability Reporting (CEAR) Award each year since the FY 1998 report.

Mr. Sopper explained some of the primary reporting objectives for SSA in preparing their Performance and Accountability Reports. He detailed that the report is a primary way to provide information to the public on how SSA money is being spent. Additionally, it is used to provide meaningful information to the Congress Authorization and Appropriations Committees as well as other oversight bodies such as OMB and GAO. He also explained that the report consolidates many of the mandatory reporting requirements for SSA into an interesting and meaningful report for all users.

Mr. Sopper stressed that simple planning is one of the most critical steps in the entire process. He explained that SSA always examines strengths and weaknesses throughout their process and makes changes accordingly. SSA also develops approaches to get the job done by using technologies available, such as the most recent publishing software. Mr. Sopper explained that SSA sends requests out early and attempts to write portions of the report that can be completed early. He added that SSA evaluates lessons learned from prior years and attempts to build on those experiences. He also explained that the most integral part of the planning process is to develop a work plan with key milestones

and target dates. Mr. Sopper elaborated that the timeline allows for the complex process to be segmented into doable tasks. This is an essential part of the plan and the key is that all involved staff strictly adheres to their responsibilities and respective due dates as outlined in the timeline. For the FY 2003 Performance and Accountability Report, SSA's work plan includes over 120 milestone activities.

Mr. Sopper also explained that SSA utilizes automated systems to produce the Agency's financial statements. He explained that this is very important considering the accelerated time frames. Information is extracted from the Financial Accounting System and is then interfaced with a database. The database then generates the statements into a spreadsheet format. This process helps reduce the number of manual adjustments necessary and also reduces the possibility of human errors.

Mr. Sopper stressed that teamwork was an essential part in SSA's success in producing their report in 45 days along with "top down" support from the Commissioner and Deputy Commissioner of the Social Security Administration. He elaborated that it was a collaborative effort among many offices within SSA, including the CFO, IG, Budget, program offices, etc. He further elaborated that although his accounting staff is small, priorities include staying abreast of the continuous changes in accounting and reporting requirements and participating in government-wide work-groups and task forces.

Mr. Sopper also discussed SSA's practice of utilizing 'functional audit teams' as a critical part of their success. The goal of the teams is to facilitate the audit. For SSA, the teams segment the audit into 20 sections or functional areas that are led by senior representatives from the audit and CFO side. The teams meet regularly throughout the audit to discuss all issues that arise and help ensure there are no surprises in the final audit report.

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A Joint Perspective

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now posted on www.JFMIP.gov. In the area of financial management systems, JFMIP plans to expose the updated Framework for Federal Financial Management Systems, which updates the existing document and provides an enterprise architecture view. We also plan to expose the Inventory, Supplies, and Materials System Requirements documents, which updates a document previously issued in 1995.

JFMIP will test five vendor packages using the enhanced JFMIP core financial management software test based on requirements published in November 2001. Test results will be posted to our Internet site as soon as individual vendor packages pass. We will also be posting additional disclosure information to help agencies successfully manage system implementations.

We plan to release the JFMIP White Paper: The Federal Financial Management Workforce Of The Future. This paper analyzes the challenges for managing the financial management workforce in a time of change and recommends strategies for addressing these challenges. In addition, JFMIP will begin a series of forums to address critical challenges facing the Federal financial management community.

Finally, I would like to close with adding one more congratulations to this year's Scantlebury award winners, New York State Budget Director Carole Stone and SSA Deputy Commissioner and CFO Dale Sopper. The privilege of telling colleagues that they have won the Scantlebury award is, by far, the best part of my job!

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Financial Management Profile - Dr. Linda Combs

Continued from Page 26

The better agencies describe their results with the associated costs, the more defensible and rational agency budget requests will become. She also stated that EPA moved out ahead of many other agencies some years ago by using the same structure to organize both its strategic plan and the agency's annual plans and budgets. As a result, EPA has been recognized for the OCFO's efforts to integrate budget and performance.

Her view on the implementation of managerial cost accounting is that Federal organizations need to comply with all applicable professional accounting standards, and the standard for managerial cost accounting is an important one. It is hard to change a large organization's focus when for many years Federal organizations simply did not look at cost information to manage. Compliance with the cost accounting standards represents a new way of doing business for many Federal managers. Having acknowledged the difficulties, however, she is leading the Agency in the right direction. EPA has done much of the foundation work that's necessary to account properly for the costs of its programs. GAO has noted that the government as a whole has a long way to go in integrating these processes effectively, but has identified EPA as one of the top two government agencies in terms of the agency's sophistication in this area.

In some respects stewardship and accountability go back to basic values: public servants need to take seriously their responsibility to manage taxpayer dollars efficiently and effectively, and to operate government programs that get good results for the American people. Dr. Combs said that public managers who cultivate these values, run their programs accordingly, and acknowledge and respect their staff by displaying these values will be leaders of accountable organizations. Organizations need some kind of accountability system and it can be simple or complex, depending on the organization, but it needs to be a system that brings together the right information about what the organization is spending and what it is accomplishing.

Future Concerns

In the priority areas of improved financial performance under the President's Management Agenda, Dr. Combs stated that her office is anxious to move ahead in the area of managerial cost accounting. This is a challenge that they are excited about, and are looking forward to implementing at EPA. Another area of interest is the application of new business intelligence tools. EPA has acquired a Business Objects software package that will deliver cost information that EPA already has organized by its strategic goals and objectives. This information will go directly to the desktop computers of the financial specialists and program managers who need this up-to-date information. This will allow program managers immediate access to accurate cost information about their programs, which they can then correlate with information about the results of those programs. Their ultimate goal is to work with EPA's program managers on having access to

this type of information so that managers can use it for better decision making.

One big impediment to successful government in a democracy is a lack of public involvement in government, and one impediment to people's involvement is a poorly informed electorate. Federal agencies can help break down this impediment by communicating clearly, and frequently, with the American people, whose interests we serve.

Dr. Combs thinks it has become more important than ever for managers to be responsive to their employees' concerns about safety and security in the workplace. In terms of program and resource management, managers in some areas have certainly felt the need for greater flexibility and creativity, as EPA has had to address sudden and urgent needs with all the skills and resources the agency could muster, such as in the case of anthrax in federal buildings.

According to Dr. Combs, some of the major problems facing financial managers in the next five to ten years are:

- There is never enough money.
- There is a need for flexibility and creativity to make available resources stretch as far as possible and support the programs that deliver the most valuable results.
- It is essential to prepare now for the potential retirement of employees who are the mainstays of many offices.
- Top financial executives need to make sure the departments and agencies have financial management capabilities for this century and beyond.
- Some of this new institutional ability will be built with new staff, but that won't be enough to bridge the gap. Current Federal managers are also going to need to learn these techniques, if they haven't already done so, to become the leaders that financial management organizations will need in years to come.

Some of the most important goals Dr. Combs will be working on this year for EPA include:

- Making progress toward financial system replacement;
- Completing installation and full deployment of business intelligence software; and
- Continuing to refine EPA performance measurement to support budgeting and other management decisions.

She sees this work as fundamental to leading her office to become the most respected CFO office in government.

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Improving Government Effectiveness and Strategic Human Capital Management —One IG's Perspective

Continued from Page 5

In closing, the role of Inspectors General is evolving. IGs are building on their traditional financial, analytical, and investigative skills and competencies to make a larger contribution to the public and their clients—to improve on the performance of our departments and agencies. From whatever point you start, the emerging consensus is that IGs have and will continue to move beyond compliance toward effectiveness. This new vision has significant and profound effects on the type and skills sets of the IG workforce. Strategic human capital management necessitates that IGs take a hard look at what constitutes an effective and balanced workforce. The IG community is examining itself to assess what combinations of skills it will need to effectively evaluate and make compelling recommendations for improvement. Clearly, IGs need to be professionally speaking, at the top of their game. But to be effective, they will need to expand their skill sets, learn to work synergistically in interdisciplinary teams and develop findings and recommendations that are compelling, implementable and sustainable. They need to keep abreast of best practices and in some cases develop new best practices. The IG community enhances its value when it contributes to improved departmental/agency performance.



Keynote Address for Kay Coles James by Clarence Crawford

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strategic partners, and human capital was not viewed as a strategic priority.

The Federal government has a long way to go, but agencies now understand the value of an integrated approach to the President's Management Agenda. The progress in the strategic management of human capital is good. The Federal government will get results when all agencies are using targeted tools to recruit and retain a diverse, high-performing workforce. The results of OPM's government-wide "Survey on Human Capital" will be released later this month. This very valuable tool establishes a baseline for participating Federal agencies to assist them in measuring their progress in the strategic management of human capital.

Some of the success stories in human capital were highlighted.

- The Social Security Administration has taken the lead in redeploying its workforce to front-line positions to

improve customer service. They plan to reassign five percent of their headquarters staff positions to direct service in FY 2003 and FY 2004.

- The Department of Commerce has implemented several web-based systems to provide broad access to performance and awards information, including tracking all aspects of performance management. These systems have improved Commerce's ability to link individual performance to organizational goals.
- The Department of the Army has developed a Workforce Planning and Forecasting tool that really works. As an automated tool, it accurately details an historic view of the agency as well as forecasts into the future.
- The Nuclear Regulatory Commission developed a strategic workforce planning model to identify and monitor its human capital assets and needs.

Ms. James and the President believe that talent and experience need to be acknowledged and rewarded. For the Fiscal Year 2004 budget, the President is proposing to allocate \$500 million dollars for a "Human Capital Performance Fund"—a new tool that

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Panel Session E-Government & Enterprise Architecture

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Progress is being made—in the area of Social Service Benefits, what used to take "100 clicks" now only takes "3 clicks." Characteristics of the target environment included common standards; common processes and improved managerial accountability.

JoAnn Boutelle, Deputy Chief Financial Officer, Department of Defense (DoD), highlighted the Department's Financial Management Modernization Program. This is a DOD-wide initiative to transform business processes, standardize and integrate information systems and standards. It is not just a Finance and Accounting effort, nor a "systems" effort but a focus on business processes. The current DoD environment consists of stovepiped, non-integrated and non-standardized business processes and systems. There are over 1900 information systems, with inefficiencies, wasted resources, and poor data for decision-makers. The Secretary of Defense envisions to operate the Department in a more efficient business-like manner, develop accurate, reliable and timely management information, and have clean audit opinions as a byproduct. The proposed solution is to standardize data and processes. DoD created a centralized Financial Management Modernization Program and completed a Department-wide Financial Management Enterprise Architecture (FMEA). FMEA standardizes and integrates business processes and systems, creates end-to-end solutions using modern technology, and reduces costs and systems. The FMEA is in the development stage, and it must be noted that the architecture implementation is constrained by laws and regulations, e.g. the ability to move funds between appropriations.

DoD is applying a top-down approach in developing the FMEA. This is a Department-wide effort with sustained top leadership support; using up-to-date enterprise architecture techniques, implementing Government and commercial leading practices; and governance based on consensus among DoD's top leaders, change management to play a key role in governance implementation.

Panel Session: Improving Financial Performance

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eligibility through cross checking data to leverage identification of recipient eligibility. The committee has also produced a number of documents (for more information, go to www.cfoc.gov) on how to mitigate and manage payment risks, evaluate the effectiveness of measuring rates of erroneous payments, and identified common red flags as precursors to erroneous payments. The committee will build upon existing OMB guidance to help agencies implement recovery auditing and improper payments legislation, define and refine methods for identifying high-risk programs, and target high-risk programs found on GAO's High Risk list.

Mr. Carney also reviewed two other key ingredients to improved financial performance: accelerated financial reporting and improved asset management. All CFO Act agencies met the February 1st deadline for submitting their FY 2002 financial statements, and 21 of the 24 agencies earned unqualified audit opinions on their FY 2002 statements. He believes it will be difficult for agencies to meet next year's November 15th deadline. Huge quantities of Federal assets remain unaccounted for. OMB mandates the justification of asset acquisition and retention and clearer definition of what constitutes necessary assets. Further guidance on ways to reduce existing assets will help government better measure and manage their assets. Reducing erroneous payments, financial statement acceleration and improved asset management have driven compliance with financial management standards and improved overall financial performance.

Robert Reid, Deputy Fiscal Assistant Secretary for Accounting Policy, Department of Treasury, believes financial reporting should capture what our government does for the American people in a

presentable manner. While only 4,000 Annual Reports of the Federal Government were distributed last year, huge allocations of resources are dedicated to the generation of numbers and production report – despite unclear statistics indicating how many people refer to them, and for what purpose. The data contained in financial reports should strive to provide decision support information and serve as a tool to improve financial management.

The Annual Report for FY 2001 outlined the numerous commitments held by Federal government to the American people. The report will reflect those commitments again this year, although much of the money remains unrecorded in the balance sheet. This year's report will also provide more detail on commitments that typically are not reflected in the annual report. For instance, the total federal liability is largely measured by \$10 trillion in Social Security and \$12.5 trillion in Medicare. These numbers have grown 25% over the last two years and exceed the entire revenue of the Federal government. The report needs to look at the biggest problems – of which our liabilities are one – and acknowledge the questions it raises and the purposes it serves. Our total liabilities and commitments equal \$31.5 trillion – an incomprehensible number when compared to \$1.5 trillion in assets. However, is it proper or useful to view these figures comparatively in the first place? If not, what should our point of reference be for comparison? Should we look at the size of the economy or economic growth? Are people assets? If so, how do we capture their value and cost? The annual report captures these numbers but grasping and understanding how to evaluate and analyze these amounts are key to understanding how we can improve financial performance and the service quality of government to the American people.

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GSA Makes Lodging Simple

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- FPLP ensures that rooms are available near as close to where federal travelers need to be to conduct their business.
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- FPLP hotels are on the fire safety list maintained by the Federal Emergency Management Agency (FEMA). Always seek a hotel that is on FEMA's safety list.
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FY 2002 U.S. Government Financial Report Released

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consolidating financial management systems. OMB has established standard business rules for certain governmentwide transactions between federal entities and is requiring quarterly reconciliations of intragovernmental activity and balances beginning in FY 2003. With respect to properly preparing the consolidated financial statements, Treasury is currently developing a new system and procedures to be used beginning with FY 2004. This initiative is intended to directly link information from federal agencies' audited financial statements to amounts reported in the consolidated financial statements.

The report can be found at <http://www.fms.treas.fr/index.html>. For more information, please contact Betsy Holahan at Treasury at (202) 622-2960 or OMB Communications at (202) 395-7254.

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Strategic Management of Human Capital

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Federal financial executives. How do we measure the successful attainment of the President's Management Agenda on strategic management of human capital? First, a Federal financial management workforce that sets the standard for excellence and competes successfully with the private sector for the best available talent; next, improvements in recruitment and retention to fill the gap with the pending wave of Federal retirements; and lastly, financial expertise built from the development of needed, critical skill sets.

Michael Montelongo, Assistant Secretary for Financial Management and CFO, Department of the Air Force, gave his perspective on how his Department was addressing human capital issues. While there has been general agreement among OMB, OPM, and GAO and some progress on what has to be done for the Air Force's financial management system, Mr. Montelongo stated that they are not yet positioned for long-term success. Specifically, the Air Force financial management community faces potential crises in leadership and skills gaps. That is, the corporate expertise will be eligible to retire very shortly, and that departure will have a detrimental affect on the critical financial and business analyses that are needed to sustain the Air Force.

These potential crises are affected by a number of factors. Financial managers are not taking full advantage of technology—at best they are using technology simply to move data around rather than applying technology to financial and business analyses. Also, the military hierarchy discourages self-initiative and all too often managers wait to be “given orders.” Lastly, while not unique to financial

management, there is a diversity deficit. For example, Hispanics are under-represented in the military when compared to the general population.

Mr. Montelongo said that “Hope is not a method” to overcome these crises, both in the Air Force, and across the Federal government. First, the best qualified from all backgrounds must be attracted to financial management and they must be shown the values and rewards of public service. Next, they should be given a world-class environment. The best performers should be recognized with bonuses, increasing responsibilities, and advancement. Lastly, leadership capacity should be built to sustain effective change management.

The Air Force's own financial management transformation initiative is underway. Last fall, a task team crafted plans and identified the necessary expertise to develop the vision statement, identify the point of contact for the necessary “people policies”, and bring together the resources that should be used. The transformation process must be led and owned by top leadership. Because at the end of the day, the exceptional talent necessary for sound financial management is non-negotiable. While the performance management system can help, the professional will demonstrated by leadership cannot be delegated. Leadership decisions, in the areas of rewards and promotions, make the process tangible and visible.

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CFO Council Update

Continued from Page 6

a Master in Public Administration from Harvard University, John F. Kennedy School of Government.

The President intends to appoint Bruce M. Carnes, CFO, Department of Energy, as the CFO at the Department of Homeland Security.

At the March CFOC meeting, it was announced that Christopher Burnham, CFO at the Department of State is a co-chair of the Best Practices Committee. Mark Carney, Deputy CFO at the Department of Education is the new chair of the Systems and E-Government Committee.

We also extend our appreciation to Mark Everson, Deputy Director for Management, OMB and Chair, CFO Council, who will be leaving the CFO Council. He was nominated to be the next Commissioner for the Internal Revenue Service.

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Clarence Crawford for Kay Coles James

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agencies can use to reward high performing employees. Agencies would submit to OPM a plan to distribute money from the fund to employees based on performance and needs. The fund would allow agencies to give pay raises to their best employees based on their performance or because they possess skills an agency needs.

The President is also proposing in his FY 04 budget that the highest possible pay should be raised for a member of the Senior Executive Service (SES) from \$142,500 to \$154,500. More than 60% of the 7,000 SES professionals are paid at the top of the scale and are not eligible for performance-based basic pay increases of any kind. Under the President's proposal, agencies will have total flexibility in setting basic pay for our top executives – anywhere between a minimum rate and a maximum rate, instead of only having six rates of pay. The bottom line is that pay and performance will be directly linked.

In today's world, there are many new priorities and new resources are needed—new human resources. The philosophy that guides OPM is that flexibility is essential to creating and maintaining the Federal workforce for the 21st century.

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